

# TAXBILLSERVICE

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**SUBJECT:** MISCELLANEOUS, Tax exemption for public housing

**BILL NUMBER:** SB 86; HB 514 (Identical); SB 1117, HB 886 (Identical)

**INTRODUCED BY:** SB 86 by Chun Oakland, Dela Cruz, Galuteria, Ruderman and 2 Democrats; HB 514 by Jordan, Ito, Oshiro, Say, Yamashita; SB 1117 by Kim by request  
HB 886 by Souki by request

**BRIEF SUMMARY:** Moves the language delineating the state tax exemption on income and obligations from HRS section 201H-37 into HRS chapter 356D.

**EFFECTIVE DATE:** Upon approval

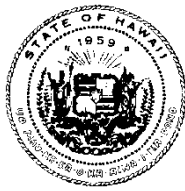
**STAFF COMMENTS:** SB 1117/HB 886 are administration measures submitted by the department of human services - HMS-21(13). These measures would move the state income tax and obligation exemption for public housing agencies from the jurisdiction of the Hawaii housing and finance development corporation (HHFDC) to the Hawaii public housing authority (HPHA). Act 196, SLH 2005, required the HHFDC to prepare an implementation plan to reorganize the state's housing functions and Act 180, SLH 2006, created two separate housing agencies - the HHFDC and the HPHA.

On the surface, this proposal would seem to align the income tax exemption and obligation exemption for "public housing agencies" and place it under the chapter establishing the state's public housing agency called the "Hawaii Public Housing Authority." However, it should be remembered that this exemption is established under federal law as part of Section 3(6) of the United States Housing Act of 1937. A review of that law and a discussion with local HUD officials revealed that a "public housing agency" does not necessarily have to be a state or local government agency, that, in fact, a "public housing agency" can be an organization that meets the HUD guidelines in providing safe, decent affordable housing to the low-income population of any community.

Should this proposal be adopted, then the exemption provided for any "public housing agency" would only apply to the state's Hawaii Public Housing Authority. That would restrict any future possibility of a private for-profit or nonprofit organization from producing affordable housing to the disadvantaged in the community. The income tax exemption and obligation exemption authority should remain under the oversight of the Hawaii Housing and Finance Development Corporation which already oversees the other financing tools available to provide subsidized housing in Hawaii including the low-income housing tax credit program and the issuance of the federal private activity bonds used for housing.

Digested 1/24/13

NEIL ABERCROMBIE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
DEPARTMENT OF HUMAN SERVICES  
HAWAII PUBLIC HOUSING AUTHORITY  
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Statement of  
**Hakim Ouansafi**  
Hawaii Public Housing Authority  
Before the

**SENATE COMMITTEE ON WAYS AND MEANS**

February 22, 2013 9:00 A.M.  
Room 211, Hawaii State Capitol

In consideration of  
**Senate Bill No. 86**  
**Relating to Public Housing**

Honorable Chair Ige and Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide you with comments regarding Senate Bill (S.B.) No. 86, relating to public housing.

The Hawaii Public Housing Authority (HPHA) supports the enactment of this measure, with amendments, which would move the State income tax and obligations exemption for public housing agencies from the laws governing the Hawaii Housing Finance and Development Corporation (HHFDC) to the laws governing the HPHA.

After hearing the concerns of the HHFDC, we would like to respectfully request that Section 2 be removed from the bill entirely, and defer any questions regarding the amendment to the HHFDC.

The HPHA appreciates the opportunity to provide the Senate Committee on Ways and Means with the agency's position regarding S.B. No. 86. We respectfully request the Committee to pass this measure favorably, and we thank you very much for your dedicated support.