

# **SB 86**

Measure Title: RELATING TO PUBLIC HOUSING.

Report Title: Hawaii Public Housing Authority; Public Housing Agency; Tax Exemption

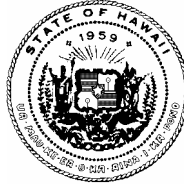
Description: Moves the State income tax and obligations exemption for public housing agencies from the laws governing the Hawaii housing finance and development corporation to the laws governing the Hawaii public housing authority.

Companion:

Package: Housing and Homeless

Current Referral: HMS, WAM

Introducer(s): CHUN OAKLAND, DELA CRUZ, GALUTERIA, RUDERMAN, Shimabukuro, L. Thielen



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

January 26, 2013

TO: The Honorable Susan Chun Oakland, Chair  
Senate Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 86 – RELATING TO PUBLIC HOUSING**

Hearing: Saturday, January 26, 2013; 1:15 p.m.  
Conference Room 229, State Capitol

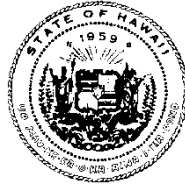
**PURPOSE:** The purpose of S.B. 86 is to move the State income tax and obligations exemption for public housing agencies from the laws governing the Hawaii Housing Finance and Development Corporation, section 201H, Hawaii Revised Statutes (HRS), to the laws governing the Hawaii Public Housing Authority (HPHA), chapter 356D, HRS.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this bill. As the sole public housing agency in the State of Hawaii, statutory provisions relating to financing obligations should be provided in the HPHA's chapter 356D, HRS. As such, this proposal is a housekeeping measure to move this statute from chapter 201H, HRS, which is administered by the Hawaii Housing Finance and Development Corporation to chapter 356D, HRS.

The Administration bill S.B. 1117, also proposes the change in statute as set forth in this bill.

Thank you for the opportunity to provide testimony on this measure.

NEIL ABERCROMBIE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
DEPARTMENT OF HUMAN SERVICES  
HAWAII PUBLIC HOUSING AUTHORITY  
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BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

Statement of  
**Hakim Ouansafi**  
Hawaii Public Housing Authority  
Before the

**SENATE COMMITTEE ON HUMAN SERVICES**

January 26, 2013 1:15 P.M.  
Room 229, Hawaii State Capitol

In consideration of  
**Senate Bill 86**  
**Relating to Public Housing**

Honorable Chair and Members of the Senate Committee on Human Services, thank you for the opportunity to provide you with comments regarding Senate Bill (S.B.) 86, relating to public housing.

The Hawaii Public Housing Authority (HPHA) supports the enactment of this measure, 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.

Section 11 of the Housing Act of 1937, as amended (42 U.S.C. § 1437i) provides for public housing agencies (PHAs) to issue obligations secured by a variety of U.S. Department of Housing and Urban Development (HUD) funds to finance the development of low-income housing projects. It further provides that any such obligations, including interest thereon, that are issued by a PHA, and any income derived by the PHA from such projects, are exempt from all taxation imposed by the United States. Section 201H-37, Hawaii Revised Statutes (HRS), provides that such obligations and income should also be exempt from all taxation imposed by the State.

However, the statute is misplaced and was left in chapter 201H when the HHFDC and HPHA bifurcated on July 5, 2005 with Act 196. As the sole PHA in the State of Hawaii, any such statutory provision relating to PHA financing obligations should be provided in the HPHA's chapter 356D, HRS. As such, this proposal is a housekeeping measure to move this statute to the correct chapter.

Hawaii Public Housing Authority

January 26, 2013

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The HPHA appreciates the opportunity to provide the Senate Committee on Human Services with the agency's position regarding S.B. 86. We respectfully request the Committee to pass this measure favorably, and we thank you very much for your dedicated support.

# TAXBILLSERVICE

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

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

**INTRODUCED BY:** SB by Chun Oakland, Dela Cruz, Galuteria, Ruderman and 2 Democrats; HB by Jordan, Ito, Oshiro, Say, Yamashita

**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:** This measure 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