

STAND. COM. REP. NO. 3111

Honolulu, Hawaii

MAR 24 2016

RE: H.B. No. 2744  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2744, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Increase the aggregate state housing credit dollar amount available for award annually;
- (2) Base the amount of the state low-income housing tax credit on whether or not a building is financed by tax-exempt bonds; and
- (3) Make the state low-income housing tax credit more valuable by shortening the term over which the credits are taken to five years.

Your Committee received testimony in support of this measure from the Chamber of Commerce Hawaii, Catholic Charities Hawai'i, Hawai'i Association of REALTORS, Building Industry Association of Hawaii, InState Partners, and one individual. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, and Tax Foundation of Hawaii.



Your Committee finds that the development of low-income affordable housing is necessary to address the issue of homelessness and respond to the critical shortage of housing inventory in the community. Increasing the investment attractiveness of state low-income housing tax credits would generate more equity to finance the development of affordable rental housing projects.

Your Committee has amended this measure by:

- (1) Amending the state aggregate housing credit dollar amount to be allocated annually by the Hawaii Housing Finance and Development Corporation to be equal to the amount of federal credits allocated to the State;
- (2) Retaining the amount of state low-income housing tax credits available pursuant to section 235-110.8(c), Hawaii Revised Statutes, for qualified low-income buildings that receive an allocation prior to January 1, 2017;
- (3) Applying the amounts of state low-income housing tax credits for buildings based on tax-exempt bond financing status proposed by this measure to qualified low-income buildings that receive an allocation after December 31, 2016;
- (4) Changing the amounts of state low-income housing tax credits available for qualified low-income buildings that receive an allocation after December 31, 2016, to be equal to:
  - (A) For buildings not financed with tax exempt bonds, for the first five years, the amount of the federal applicable percentage of the qualified basis pursuant to the federal low-income housing tax credit; and
  - (B) For buildings financed with tax exempt bonds, for the first five years, twice the amount of the federal applicable percentage of the qualified basis pursuant to the federal low-income housing tax credit;



- (5) Inserting language at the suggestion of the Department of Taxation to limit state credits over a ten year period for buildings not financed with tax exempt bonds and buildings financed with tax exempt bonds;
- (6) Deleting provisions that established requirements for application of Internal Revenue Code sections related to at-risk rules and limitation of passive activity losses and credits; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2744, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2744, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Housing,



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BREENE HARIMOTO, Chair



