

# HB 1958 HD 1

Measure Title: RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR LOW INCOME RENTAL SUBSIDIES.

Report Title: Housing First; Section 8 Housing; General Excise Tax  
Description: Exempts rental subsidy payments for Section 8 and Housing First Programs from the state general excise tax. (HB1958 HD1)

Companion: [SB2089](#)

Package: None

Current Referral: HOU, WAM

Introducer(s): HASHEM, CACHOLA, CREAGAN, ICHIYAMA, JOHANSON, JORDAN, KEOHOKALOLE, KOBAYASHI, LOPRESTI, LOWEN, MORIKAWA, NISHIMOTO, OSHIRO, TOKIOKA, WOODSON



**EXECUTIVE CHAMBERS**  
HONOLULU

**DAVID Y. IGE**  
GOVERNOR

March 15, 2016

**TO:** The Honorable Senator Breene Harimoto, Chair  
Senate Committee on Housing

**FROM:** Scott Morishige, MSW, Governor's Coordinator on Homelessness

**SUBJECT: HB 1958 HD 1 – RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR LOW  
INCOME RENTAL SUBSIDIES**

**Hearing:** Tuesday, March 15, 2016, 2:50 p.m.  
Conference Room 225, State Capitol

**POSITION:** The Governor's Coordinator on Homelessness supports this measure to the extent that this bill does not replace or adversely impact priorities indicated in the Executive Budget. The Coordinator defers to the Department of Taxation in regard to specific issues related to implementation and financial impact.

**PURPOSE:** The purpose of the bill is to exempt rental subsidy payments for Section 8 and Housing First programs from the state general excise tax.

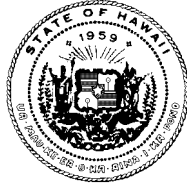
The Coordinator recognizes that an exemption from the general excise tax will likely result in incentivizing landlords to participate with Section 8 and other similar housing voucher programs, such as Housing First. This measure also aligns with Goal 2, Objective 6 of the Hawaii Interagency Council on Homelessness' Strategic Plan to End Homelessness, which is to "improve access to government-funded affordable housing by eliminating barriers."

The Coordinator notes that the administration has been working in coordination with the Hawaii Association of Realtors and the counties to host landlord summits throughout the state in order to educate landlords and property managers regarding the Section 8 voucher program and other housing voucher programs, such as Housing First. In addition, the Coordinator notes that the State's Housing First program has been

designed to include damage guarantees for landlords as an incentive to encourage increased utilization of available Housing First vouchers.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE  
GOVERNOR



RACHAEL WONG, DrPH  
DIRECTOR

PANKAJ BHANOT  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 15, 2016

TO: The Honorable Senator Breene Harimoto, Chair  
Senate Committee on Housing

FROM: Rachael Wong, DrPH, Director

SUBJECT: **HB 1958 HD1 – RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR LOW  
INCOME RENTAL SUBSIDIES**

Hearing: Tuesday, March 15, 2016; 2:50 p.m.  
Conference Room 225, State Capitol

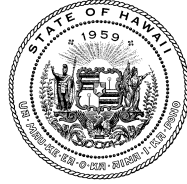
**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the intent of this proposed bill as it will likely incentivize rental of affordable units to individuals and families served through the Section 8 and Housing First programs. The State's Housing First program and other programs geared toward housing placement of homeless individuals and families, are always challenged to engage and partner with landlords and property managers willing to rent units to homeless individuals and families. The DHS defers to the Department of Taxation and the Department of Business, Economic Development and Tourism on specific issues raised in their testimonies.

**PURPOSE:** The purpose of the bill is to exempt rental subsidy payments for Section 8 and Housing First Programs from the state general excise tax.

Thank you for the opportunity to testify on this bill.

**DAVID Y. IGE**  
GOVERNOR

**SHAN TSUTSUI**  
LT. GOVERNOR



**MARIA E. ZIELINSKI**  
DIRECTOR OF TAXATION

**JOSEPH K. KIM**  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Breene Harimoto, Chair  
and Members of the Senate Committee on Housing

Date: Tuesday, March 15, 2016

Time: 2:50 P.M.

Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 1958, H.D. 1, Relating to a General Excise Tax Exemption for Low Income Rental Subsidies.

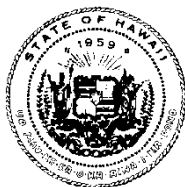
The Department of Taxation (Department) appreciates the intent of H.B.1958, H.D. 1, and offers the following comments for your consideration.

H.B. 1958, H.D. 1, exempts from the General Excise Tax amounts received from a government public housing agency or non-profit organization for the subsidization of rent for individuals participating in a Title 42, U.S.C. Section 1437 assisted housing program or federal, state, or county housing first program. The measure applies to amounts received after December 31, 2016, and has a defective effective date of July 1, 2050.

The Department notes that if the effective date of this measure is changed to apply to amounts received after December 31, 2016, the Department will have sufficient time to implement the necessary changes to the forms, instructions, and computer system.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
DEPARTMENT OF HUMAN SERVICES  
HAWAII PUBLIC HOUSING AUTHORITY  
1002 NORTH SCHOOL STREET  
Honolulu, Hawaii 96817

BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

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

**SENATE COMMITTEE ON HOUSING**

March 15, 2016 2:50 P.M.  
Room 225, Hawaii State Capitol

In consideration of

**House Bill 1958, HD 1**  
**RELATING TO A GENERAL EXCISE TAX EXEMPTION**  
**FOR LOW INCOME RENTAL SUBSIDIES**

Honorable Chair Harimoto and Members of the Senate Committee on Housing, thank you for the opportunity to provide testimony regarding House Bill (HB) 1958, House Draft (HD) 1, relating to a general excise tax exemption for low income rental subsidies.

The Hawaii Public Housing Authority (HPHA) supports this measure as a creative way to incentivize landlords to rent their units to Section 8 holders by providing an exemption of rental subsidy payments from the State general excise tax. It often takes a Section 8 holder several months to find a landlord willing to accept the Section 8 voucher, leaving a family in a frustrating and uncertain state.

The HPHA appreciates the opportunity to provide the Senate Committee on Housing with the HPHA's position regarding HB 1958, HD 1. We thank you very much for your dedicated support in addressing the affordable housing crisis in Hawaii.

March 15, 2016

**The Honorable Breene Harimoto , Chair**

Senate Committee on Housing  
State Capitol, Room 225  
Honolulu, Hawaii 96813

**RE: H.B. 1958, H.D.1, Relating to a General Excise Tax Exemption for Low Income Rental Subsidies**

**HEARING: Tuesday, March 15, 2016 at 2:50 p.m.**

Aloha Chair Harimoto, Vice Chair Galuteria, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai‘i, and its 8,900 members. HAR **supports the intent** of H.B. 1958, H.D.1 which exempts rental subsidy payments for Section 8 and Housing First Programs from the state general excise tax.

In November 2015, HAR worked with the State, City and County of Honolulu, and various social service providers to host a Landlord Summit. The goal was to educate landlords on the various government and social service programs that are available. Through the process, it is clear that there is a need for both affordable housing and rentals and we need to work together on creative solutions to address housing and homelessness.

HAR applauds this innovative and creative plan to offer a GET incentive for Section 8 and Housing First landlords.

Mahalo for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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**SUBJECT:** GENERAL EXCISE, Exemption for Housing Subsidies

**BILL NUMBER:** HB 1958, HD-1

**INTRODUCED BY:** House Committees on Housing and Human Services

**EXECUTIVE SUMMARY:** Exempts rent assistance payments. The exemption would be taken by the landlord, similar to how the exemption for food stamps is taken by the grocery store.

**BRIEF SUMMARY:** Adds a new paragraph to HRS section 237-24.7 to exempt from the GET amounts received from a government public housing agency or non-profit organization for the subsidization of rent for individuals or families participating in a Title 42 United States Code section 1437 assisted housing program or federal, state, or county housing first program.

**EFFECTIVE DATE:** Effective July 1, 2050; applies to gross income or gross proceeds received after December 31, 2016.

**STAFF COMMENTS:** The Hawaii General Excise Tax is a business privilege tax and it applies to rent. Accordingly, landlords who receive rental assistance payments for their tenants need to include those amounts in taxable income. The exemption would, therefore, be taken by the landlord in the same way that the exemption in HRS section 237-24.3(5) for food stamps is taken by the grocery store. This exemption may help mitigate the regressivity of the GET toward the renters benefited by the programs.

Digested 2/23/2016



**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HOU Testimony](#)  
**Cc:** [tabraham08@gmail.com](mailto:tabraham08@gmail.com)  
**Subject:** \*Submitted testimony for HB1958 on Mar 15, 2016 14:50PM\*  
**Date:** Monday, March 14, 2016 12:18:22 PM

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**HB1958**

Submitted on: 3/14/2016

Testimony for HOU on Mar 15, 2016 14:50PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Troy Abraham	Individual	Support	No

Comments:

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