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STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Friday, February 27, 2015  
Time: 1:30 P.M.  
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 283, H.D. 1, Relating to a General Excise Tax Exemption for Mixed-Use  
Housing Projects

The Department of Taxation (Department) appreciates the intent of H.B. 283, H.D. 1, and provides the following information and comments. The Department defers to the Department of Business, Economic Development, and Tourism and the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill. H.D.1 has a defective effective date of July 1, 2050.

H.B. 283, H.D. 1 creates an exemption from the general excise tax (GET) for the development of mixed-use projects on certain state and county land. Unlike other receipts which are exempted from GET, this bill expressly imposes the Honolulu county surcharge on these mixed-use projects.

The Department notes that this bill will likely require a change in forms and/or instructions. Accordingly, if this bill is adopted, the Department requests that it take effect no sooner than January 1, 2017.

The Department is unable to estimate the revenue loss due to insufficient data.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempt mixed-use project in a location-efficient area

BILL NUMBER: HB 283, HD-1

INTRODUCED BY: House Committee on Housing

BRIEF SUMMARY: Adds a new section to HRS chapter 201H to allow the Hawaii housing finance and development corporation (HHFDC) to approve and certify any qualified person or firm involved in the development of affordable housing in a newly constructed, or moderately or substantially rehabilitated, mixed-use project within a location-efficient area for the purposes of receiving the general excise tax exemption under HRS sections 201H-36 and 237-29 in taxable years beginning after December 31, 2016. Requires any claim for the exemption to be filed with the HHFDC and forwarded to the department of taxation.

Defines “location-efficient area” as one or more contiguous parcels of land aggregating one or more acres that are owned by the state or county, one parcel of which is located within half a mile of a rail transit station. Defines “mixed-use project” for purposes of the measure.

Amends HRS sections 237-8.6(d) and 238-2.6(c) to provide that the county surcharge on state tax shall be imposed on such projects subject to the general excise tax exemption.

Makes other nontax amendments to facilitate discussion between state and county agencies regarding the potential impacts of the rail transit system as it relates to population growth and housing.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: Currently, the HHFDC may certify affordable rental housing projects under HRS 201H-36 as qualifying for the exemption under HRS 237-29. This measure proposes to extend the general excise tax exemption to any qualified person or firm involved in the development of affordable housing in a mixed-use project within a location-efficient area. Thus, it would appear that the exemption would not only be applicable to development of affordable housing, but also to the rest of the project.

The bill provides that certified amounts are exempt from general excise or use tax but are *not* exempt from the Honolulu county surcharge. This is curious, and adds complexity to the system because the surcharge is presently designed to apply only to amounts subject to the general excise or use tax at the 4% retail rate. (We suspect that a redesign of Forms G-45 and G-49 could be required, with the attendant administrative costs.)

Digested 2/25/15

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February 27, 2015

**The Honorable Sylvia Luke, Chair**

House Committee on Finance

State Capitol, Room 308

Honolulu, Hawaii 96813

**RE: H.B. 273, H.D.1, Relating to a General Excise Tax Exemption for Mixed-Use Housing Projects**

**HEARING: Friday, February 27, 2015, at 1:30 p.m.**

Aloha Chair Luke, Vice Chair Nishimoto and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,400 members. HAR **supports the intent** of H.B. 283, H.D.1, which establishes an exemption from general excise taxes for the development of mixed-use projects incorporating affordable housing units on state or county lands.

H.B. 283, H.D.1, would encourage private sector investment and construction of housing for Hawaii's families by creating much needed units in Hawaii. It would also provide opportunities to qualified investors for a variety of housing developments and allocate exemptions necessary to ensure the financial feasibility of those developments.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing. As such, this program may help expand the much needed housing opportunities for Hawaii's families struggling to make ends meet and continue to address the States unique challenges related to affordable rentals.

Mahalo for the opportunity to testify.

# BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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## Testimony to the House Committee on Finance Friday, February 27, 2015 1:30 p.m.

State Capitol - Conference Room 308

### **RE: HOUSE BILL NO. 283 H.D. 1 RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR MIXED-USE HOUSING PROJECTS**

Chair Luke, Vice-Chair Nishimoto, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

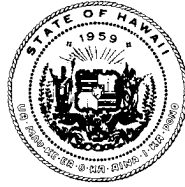
BIA-Hawaii **supports** H.B. 283 H.D. 1, which proposes to allow the Hawaii Housing Finance and Development Corporation (HHFDC) to develop mixed use housing projects within a "Location-efficient area"; and to approve a general excise tax exemption for any qualified person or firm who is involved in the development of affordable housing in a newly constructed, or moderately or substantially rehabilitated, mixed-use project within a location-efficient area.

BIA-Hawaii strongly supports the need to provide government assistance to develop housing units for the 80% AMI and below income group. The economics associated with developing these units require some type of government assistance. Due to the cost of land and development, the private sector is unable meet these price points without government assistance.

While government focuses on "affordable housing," BIA-Hawaii believes that policy makers must take action to increase the overall supply of housing at all price points in Hawaii. The continued lack of supply and increasing demand is the basic reason why the median price of a new house on Oahu hit \$719,500.00 in the fourth quarter of 2014. A healthy housing market allows people to purchase entry level housing and then "step up" to different price ranges as their income and family situations changes.

Thank you for the opportunity to express our views on this matter.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**LATE**

**HOUSE COMMITTEE ON FINANCE**

February 27, 2015 at 1:30 p.m.  
State Capitol, Room 308

In consideration of  
**H.B. 283, H.D. 1**  
**RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR MIXED-USE HOUSING PROJECTS.**

The HHFDC **supports the intent** of H.B. 283, H.D. 1. This bill would allow HHFDC to certify for exemption from general excise taxes mixed-use projects that provide affordable housing in location efficient areas, defined as on State or County lands within half a mile of mass transit stations. HHFDC believes that this would provide a valuable incentive for the development of efficient and affordable housing in mixed-use developments near transit stations.

Thank you for the opportunity to testify.