



HPCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Housing
The Hon. Mark J. Hashem, Chair
The Hon. Jo Jordan, Vice Chair

Testimony in Support of House Bill 283
Relating to GET Exemption for Mixed-Use Housing Projects
Submitted by Robert Hirokawa, Chief Executive Officer
February 2, 2015, 8:30 am, Room 329

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports House Bill 283, which establishes an exemption from general excise taxes for the development of mixed-use affordable housing projects.

The HPCA is a staunch believer in the social determinants of health, those economic and social conditions that influence an individual and a community's health status. These conditions serve as risk factors endemic to a person's living and working environment, rather than their behavioral or genetic histories. Factors such as income, education, access to recreation and healthy foods, housing, and employment, can and do have measurable impacts on a person and a community, both in health and financial outcomes.

House Bill 283 speaks to one of the major determinants by allowing a general-excise tax exemption for developments employing mixed-use projects. We believe doing so will encourage both a healthier economy and provide better housing options for lower income families.

For those reasons, we strongly support this measure and thank you for the opportunity to testify.

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
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IN REPLY REFER TO:

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

HOUSE COMMITTEE ON HOUSING

February 2, 2015 at 8:30 a.m.
State Capitol, Room 329

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

The HHFDC **supports the intent** of H.B. 283. 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 walking distance 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.

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

BILL NUMBER: HB 283

INTRODUCED BY: Hashem

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: January 1, 2017

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 1/30/15

February 2, 2015

The Honorable Mark J. Hashem, Chair

House Committee on Housing
State Capitol, Room 329
Honolulu, Hawaii 96813

RE: H.B. 283, Relating to General Excise Tax Exemption for Mixed-Use Housing Projects

HEARING: Monday, February 2, 2015, at 8:30 a.m.

Aloha Chair Hashem, Vice Chair Jordan, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, submitting testimony 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, 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 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 submit testimony.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

To: The Honorable Mark J. Hashem, Chair
and Members of the House Committee on Housing

Date: Monday, February 2, 2015
Time: 8:30 A.M.
Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

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

The Department of Taxation (Department) appreciates the intent of H.B. 283 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 and provides the following **comments** for your consideration.

H.B. 283 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 the effective date of January 1, 2017 is maintained.

Thank you for the opportunity to provide **comments**.