



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development and Tourism
before the

HOUSE COMMITTEE ON FINANCE

March 4, 2015 at 11:00 a.m.
State Capitol, Room 308

In consideration of
H.B. 906, H.D. 1
**RELATING TO GENERAL EXCISE TAX EXEMPTIONS FOR CERTIFIED OR
APPROVED HOUSING PROJECTS.**

Chair Luke, and Members of the House Committee on Finance.

DBEDT **supports** H.B. 906, H.D. 1, an Administration bill. This bill would require owners of certain rental housing projects seeking General Excise Tax (GET) exemptions for construction expenditures under section 201H-36, HRS, to maintain certain minimum periods of project affordability to ensure that any project improvements exempted from the GET will benefit lower income households.

DBEDT respectfully requests that the Committee pass this bill. 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
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

HOUSE COMMITTEE ON FINANCE

March 4, 2015 at 11:00 a.m.
State Capitol, Room 308

In consideration of
H.B. 906, H.D. 1
**RELATING TO GENERAL EXCISE TAX EXEMPTIONS FOR CERTIFIED OR
APPROVED HOUSING PROJECTS.**

HHFDC supports H.B. 906, H.D. 1, an Administration bill clarifying that affordable rental projects must remain affordable for a reasonable minimum period to be eligible for an exemption from General Excise Taxes (GET) for construction, pursuant to section 201H-36, Hawaii Revised Statutes. Presently, there is no minimum statutory affordability term required of rental projects constructed without government assistance seeking a GET exemption under this section.

H.B. 906, H.D. 1, would ensure that any improvements to the project that are exempted from GET will accrue to the benefit of lower income households for a reasonable period of time. We respectfully request your favorable consideration of this bill.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Rental housing project qualifications for tax exemption

BILL NUMBER: HB 906, HD-1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Requires a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the Hawaii housing finance and development corporation (HHFDC) to qualify for the tax exemption. Establishes terms for the agreements for each type of project.

BRIEF SUMMARY: Amends HRS section 210H-36 to require a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the HHFDC as a qualification for the tax exemption as follows: (1) for moderate rehabilitation projects, a minimum term of five years; (2) for substantial rehabilitation projects, a minimum term of ten years; and (3) for new construction projects, a minimum term of thirty years from the date of the certificate of occupancy.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: This is an administration measure submitted by the department of business, economic development and tourism (BED-09 (15)). This measure would add more qualifications for each rental housing project to ensure such projects are in compliance in order to continue to receive a general excise tax exemption under HRS section 237-29.

Digested 3/2/15

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

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LATE

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

Date: Wednesday, March 4, 2015
Time: 11:00 A.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 906, H.D. 1, Relating to General Excise Tax Exemptions for Certified or
Approved Housing Projects

The Department of Taxation (Department) appreciates the intent of H.B. 906, H.D. 1, an Administrative measure, and provides the following comments for your consideration. The Department defers to the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill.

H.B. 906, H.D. 1 requires that certain eligible housing projects remain affordable for set minimum periods of time in order for a taxpayer to be certified as exempt from the General Excise Tax (GET). The intent of the measure is to ensure that any project which is exempted from the GET will actually benefit lower income households by requiring the eligible housing project to remain affordable for set periods of time, depending on the nature and the extent of the project. H.D.1 has a defective effective date of July 1, 2050.

Under section 201H-36, Hawaii Revised Statutes, HHFDC certifies that a housing project is entitled to the GET exemption, and upon such certification, a taxpayer is entitled to claim the GET exemption. As the regulatory agreements and the determination of whether a taxpayer is eligible for the exemption remain with HHFDC, this measure will not have an administrative impact on the Department.

Thank you for the opportunity to provide comments.