



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 906
Relating to GET Exemption for Certified or Approved 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 906, which ensures certain housing projects will remain free from general excise taxes.

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 906 speaks to one of the major determinants by allowing a general-excise tax exemption for certain eligible housing 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.



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 HOUSING

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

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

HHFDC **supports** H.B. 906, 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 under this section.

Most rental projects are developed with assistance from HHFDC in the form of financing assistance, 201H exemptions, or the provision of land, and are thereby subject to regulatory agreements which dictate the level and terms of affordability. However, there may be projects that are constructed without governmental assistance that seek GET exemptions from HHFDC. HHFDC proposes clarifying that those projects must meet certain minimum affordability terms, as follows:

- For moderate rehabilitation, five years;
- For substantial rehabilitation, ten years; and
- For new construction, thirty years.

This would ensure that any improvements to the project that are exempted from GET will accrue to the benefit of lower income households for the useful life of the improvements.

We respectfully request your favorable consideration of this bill. Thank you for the opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: SB 1075; HB 906 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

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, 2016; applicable to projects initially certified after June 30, 2016

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 1/30/15



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

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

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

HOUSE COMMITTEE ON HOUSING

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

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

Chair Hashem, and Members of the House Committee on Housing.

DBEDT **supports** H.B. 906, 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. The intent of H.B. 906 is 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

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

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 Mark J. Hashem, Chair
and Members of the House Committee on Housing

Date: Monday, February 02, 2015
Time: 8:30 A.M.
Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

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

The Department of Taxation (Department) appreciates the intent of H.B. 906. The Department defers to the Department of Business, Economic Development, and Tourism (DBEDT) 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. 906 requires housing projects to enter into regulatory agreements with HHFDC to obtain certification for the exemption from general excise taxation (GET) under section 201H-36, Hawaii Revised Statutes (HRS).

HHFDC certifies the GET exemption under section 201H-36, HRS, and transmits the certifications to the Department. The regulatory agreements required by this bill will only affect HHFDC's certification process and will not affect the Department.

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