



SB 1201

Measure Title:	RELATING TO TAXATION.
Report Title:	Tax Incentive; Affordable Rental Units
Description:	Establishes a tax incentive for landlords who provide rental units for persons earning below 80 per cent of the area median income.
Companion:	
Package:	None
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND, Espero, Galuteria, Harimoto

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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To: The Honorable Suzanne Chun Oakland, Chair
and Members of the Senate Committee on Human Services and Housing

Date: Thursday, February 12, 2015
Time: 2:00 P.M.
Place: Conference Room 016, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1201, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 1201 and provides the following comments for your consideration.

S.B. 1201 creates a general excise tax (GET) exemption for all proceeds received from leasing real property to persons earning below 80 per cent of the area median income.

First, the Department suggests that the term "area median income" be defined by specifying the geographic area - whether state, county, city or otherwise - by describing how the median income will be calculated or derived. Additionally, the Department suggests specifying whether the median income threshold applies to individuals or households.

Second, the Department suggests adding the word "residential" on line 12 before the word "real" to limit the exemption to residential property.

Finally, the Department notes that the bill does not specify who will be required to verify a lessee's income at any time in the future in order to continue receiving the GET exemption. This is an important part of this measure because the lessor would ultimately be responsible for the tax if it is determined that the lessee was non-qualifying.

Thank you for the opportunity to provide comments.

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SUBJECT: GENERAL EXCISE, Exempt certain rental income

BILL NUMBER: SB 1201

INTRODUCED BY: Chun Oakland and 3 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 237 to provide that the gross proceeds received by an owner or lessor from the leasing of real property to persons earning below 80% of the area median income shall be exempt from the general excise tax.

EFFECTIVE DATE: Gross income or gross proceeds received after June 30, 2015

STAFF COMMENTS: This measure proposes to exempt from the general excise tax the gross proceeds received for the leasing of real property to persons earning below 80% of the area median income.

As proposed, it would grant a special preference to a select group of taxpayers at the expense of others who are not eligible for the exemption. The general excise tax is a tax that permits someone to operate a business in the state. Thus, businesses providing similar, if not identical, services should be treated equally as the tax is on the business and not on the customer. In this case, this proposal would grant an exemption from the general excise tax to certain lessors. This would discriminate against lessors who do not qualify for the proposed exemption.

It should be remembered that businesses that qualify for the tax preferences proposed in this measure would utilize services funded by current taxpayers while being tax-exempt. The question that should be asked is why businesses other than those granted the limited exemption proposed by this measure should foot the bill to run state government. Thus, the limited tax preference granted under this measure would merely shift the burden of paying for public services to those not so favored.

Further, while it appears that this measure is aimed at providing relief to renters who are earning below 80% of the area median income, there is no guarantee that any tax savings realized by a landlord upon the enactment of this measure will be passed on to the renter.

Digested 2/10/15

From: mailinglist@capitol.hawaii.gov
To: [HSH Testimony](#)
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Subject: *Submitted testimony for SB1201 on Feb 12, 2015 14:00PM*
Date: Saturday, February 07, 2015 12:34:54 PM

SB1201

Submitted on: 2/7/2015

Testimony for HSH on Feb 12, 2015 14:00PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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Cc: luellacrutcher@yahoo.com
Subject: Submitted testimony for SB1201 on Feb 12, 2015 14:00PM
Date: Saturday, February 07, 2015 9:11:58 PM

SB1201

Submitted on: 2/7/2015

Testimony for HSH on Feb 12, 2015 14:00PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Luella Nohea Crutcher	Individual	Support	No

Comments: More affordable homes available for those who do not have a home, is great.

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From: mailinglist@capitol.hawaii.gov
To: [HSH Testimony](#)
Cc: kmowrey47@gmail.com
Subject: Submitted testimony for SB1201 on Feb 12, 2015 14:00PM
Date: Friday, February 06, 2015 7:59:12 PM

SB1201

Submitted on: 2/6/2015

Testimony for HSH on Feb 12, 2015 14:00PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen A Mowrey	Individual	Comments Only	No

Comments: As a resident of Hawaii for 31 years I have witnessed the ever increasing rent charges. A 1 room single walled unit that 30 years ago rented for \$350 now rents for 1400 .. with little improvements too the unit over those 31 years. I see my children struggling to keep up with the increases year to year. Something has to change for our Keiki to manage the ever increasing cost of living and the non-sensical rent increases each year. Please look at this bill with your own children in mind.

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