

DAVID Y. IGE
GOVERNOR

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STATE OF HAWAII
DEPARTMENT OF TAXATION
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DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: February 11, 2016

Time: 9:00 A.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2089, Relating to a General Excise Tax Exemption for Low Income Rental Subsidies.

The Department of Taxation (Department) appreciates the intent of S.B. 2089, and offers the following comments for your consideration.

S.B. 2089 exempts from the General Excise Tax (GET) amounts received from a government public housing agency or non-profit organization for the subsidization of rent for individuals participating in a Title 42, U.S.C. Section 1437 assisted housing program or federal, state, or county housing first program. The measure applies to amounts received after December 31, 2015.

As currently drafted, the exemption would apply retroactively. The Department requests that the effective date of this measure be changed to apply to amounts received after December 31, 2016, in order to allow time for the Department to implement the necessary changes to the forms, instructions, and computer system.

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, Exemption for Housing Subsidies

BILL NUMBER: HB 1958; SB 2089 (Identical)

INTRODUCED BY: HB by HASHEM, CACHOLA, CREAGAN, ICHIYAMA, JOHANSON, JORDAN, KEOHOKALOLE, KOBAYASHI, LOPRESTI, LOWEN, MORIKAWA, NISHIMOTO, OSHIRO, TOKIOKA, WOODSON; SB by CHUN OAKLAND, HARIMOTO, Baker, Keith-Agaran

EXECUTIVE SUMMARY: Exempts rent assistance payments. The exemption would be taken by the landlord, similar to how the exemption for food stamps is taken by the grocery store.

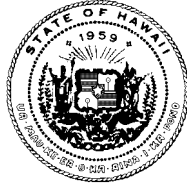
BRIEF SUMMARY: Adds a new paragraph to HRS section 237-24.7 to exempt from the GET amounts received from a government public housing agency or non-profit organization for the subsidization of rent for individuals or families participating in a Title 42 United States Code section 1437 assisted housing program or federal, state, or county housing first program.

EFFECTIVE DATE: Applies to gross income or gross proceeds received after December 31, 2015.

STAFF COMMENTS: The Hawaii General Excise Tax is a business privilege tax and it applies to rent. Accordingly, landlords who receive rental assistance payments for their tenants need to include those amounts in taxable income. The exemption would, therefore, be taken by the landlord in the same way that the exemption in HRS section 237-24.3(5) for food stamps is taken by the grocery store. This exemption may help mitigate the regressivity of the GET toward the renters benefited by the programs.

Digested 1/29/2016

DAVID Y. IGE
GOVERNOR



RACHAEL WONG, DrPH
DIRECTOR

PANKAJ BHANOT
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 11, 2016

TO: The Honorable Senator Jill N. Tokuda, Chair
Senate Committee on Ways and Means

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2089 – RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR LOW
INCOME RENTAL SUBSIDIES**

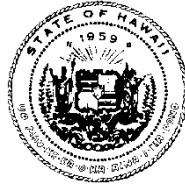
Hearing: Thursday, February 11, 2016; 9:00 a.m.
Conference Room 211, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this proposed bill as it will likely incentivize rental of affordable units to individuals and families served through the Section 8 and Housing First programs. The State's Housing First program and other programs geared toward housing placement of homeless individuals and families, are always challenged to engage and partner with landlords and property managers willing to rent units to homeless individuals and families. The DHS defers to the Department of Taxation on the fiscal implications of the bill.

PURPOSE: The purpose of the bill is to exempt rental subsidy payments for Section 8 and Housing First Programs from the state general excise tax.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
Honolulu, Hawaii 96817

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 11, 2016 9:00 A.M.
Room 211, Hawaii State Capitol

In consideration of

Senate Bill 2089
RELATING TO A GENERAL EXCISE TAX EXEMPTION
FOR LOW INCOME RENTAL SUBSIDIES

Honorable Chair Tokuda Members of the Senate Committee on Ways and Means, thank you for the opportunity to provide testimony regarding Senate Bill (SB) 2089, relating to a general excise tax exemption for low income rental subsidies.

The Hawaii Public Housing Authority (HPHA) supports this measure as a creative way to incentivize landlords to rent their units to Section 8 holders by providing an exemption of rental subsidy payments from the State general excise tax. It often takes a Section 8 holder several months to find a landlord willing to accept the Section 8 voucher, leaving a family in a frustrating and uncertain state.

The HPHA appreciates the opportunity to provide the Senate Committee on Ways and Means with the HPHA's position regarding SB 2089. We thank you very much for your dedicated support in addressing the affordable housing crisis in Hawaii.

February 11, 2016

The Honorable Jill N. Tokuda, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 2089, Relating to a General Excise Tax Exemption for Low Income Rental Subsidies

HEARING: Thursday, February 11, 2016 at 9:00 a.m.

Aloha Chair Tokuda, Vice-Chair Dela Cruz, 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 8,800 members. HAR **supports the intent** of S.B. 2089 which exempts rental subsidy payments for Section 8 and Housing First Programs from the state general excise tax.

In November 2015, HAR worked with the State, City and County of Honolulu, and various social service providers to host a Landlord Summit. The goal was to educate landlords on the various government and social service programs that are available. Through the process, it is clear that there is a need for both affordable housing and rentals and we need to work together on creative solutions to address housing and homelessness.

As such, HAR applauds this innovative plan to offer a GET incentive for Section 8 and Housing First landlords.

Mahalo for the opportunity to testify.