

STAND. COM. REP. NO.

483

Honolulu, Hawaii

February 17, 2017

RE: H.B. No. 1335

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 1335 entitled:

"A BILL FOR AN ACT RELATING TO THE LOW-INCOME HOUSING TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Specify that certain provisions of the Internal Revenue Code (IRC) related to at-risk rules and deductions and to passive activity loss do not apply to claims for the state Low-Income Housing Tax Credit; and
- (2) Appropriate funds to establish one full-time equivalent position in the Hawaii Housing Finance and Development Corporation (HHFDC) to oversee the Low-Income Housing Tax Credit Program.

In-State Partners and an individual testified in support of this measure. The Department of Taxation (DOTAX), Hawaii Housing Finance and Development Corporation, and Tax Foundation of Hawaii commented on this measure.

HB1335 HD1 HSCR HSG HMS 2017-2250



Your Committee has amended this measure by changing its effective date to take effect upon a date to be determined to facilitate further discussion on this measure.

Your Committee notes the concerns expressed by DOTAX regarding this measure's nonconformity to IRC provisions relating to at-risk and passive activity loss limitation rules. According to DOTAX, this measure provides that at-risk rules and passive activity loss rules do not apply to claims for the Low-Income Housing Tax Credit. Should this measure be further deliberated by the Committee on Finance, your Committee respectfully requests that it consider the concerns expressed by DOTAX. Lastly, your Committee believes that the administration and work of the Low-income Housing Tax Credit Program can be accomplished without the establishment of an extra position in HHFDC.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1335, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1335, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Housing,



TOM BROWER, Chair



