

Honolulu, Hawaii
February 16, 2018

RE: H.B. No. 1746
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 1746, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INDIVIDUAL HOUSING ACCOUNTS,"

begs leave to report as follows:

The purpose of this measure is to assist individuals in saving for the purchase of a home by incentivizing the use of individual housing accounts by:

- (1) Authorizing a state income tax deduction for savings in individual housing accounts held by community development financial institutions;
- (2) Updating the annual and aggregate limits for individual housing account deductions;
- (3) Allowing certain amounts paid into an individual housing account and used to obtain rental housing to qualify for a tax deduction; and
- (4) Removing requirements that individuals pay taxes on individual housing account distributions used to purchase a first principal residence or to secure rental housing.



The Office of Hawaiian Affairs, Chairperson of the Committee on Resource Management of the Office of Hawaiian Affairs, Hawaiian Community Assets, Hawaii Association of REALTORS, YWCA O'ahu, and several concerned individuals supported this measure. The Department of Taxation, Hawaii Credit Union League, and Tax Foundation of Hawaii offered comments for this measure.

Your Committee finds that the use of individual housing accounts to secure rental housing may increase housing security for renters.

Your Committee notes Hawaiian Community Assets' testimony that Hawaii taxpayers only receive a tax incentive on individual housing accounts held by a bank or credit union, there are no banks or credit unions that offer individual housing accounts, and community development financial institutions are the only financial institutions in Hawaii that offer individual housing accounts.

Your Committee has amended this measure by:

- (1) Reinstating the taxability of distributions;
- (2) Changing the effective date to January 1, 2050, to promote further discussion; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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. 1746, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 1746, H.D. 2.



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

A handwritten signature in black ink, appearing to read "Tom Brower", written over a horizontal line.

TOM BROWER, Chair



