

Honolulu, Hawaii

February 14, 2018

RE: H.B. No. 2472
H.D. 1

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. 2472 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 specify that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity loss do not apply with respect to claims for the state low-income housing tax credit.

The Hawaii Housing Finance and Development Corporation, EAH Housing, and a concerned individual testified in support of this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.

Your Committee notes that nonconformity to Internal Revenue Code section 42(k) would allow a taxpayer to acquire the property from a related person at an inflated price using nonrecourse liability and increase the basis amount upon which the credit is calculated. Accordingly, your Committee respectfully requests your Committee on Finance to further consider adding new language to section 235-110.8(j), Hawaii Revised Statutes, to be inserted on page 7, line 7 of this measure as follows:



"(3) In no event shall the amount of state credits allocated by the corporation for the qualified low income building exceed fifty per cent of the amount of federal credits allocated to such building."

Your Committee has amended this measure by:

- (1) Changing its effective date to July 1, 2050; and
- (2) Making technical, nonsubstantive amendments for the purposes of 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. 2472, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2472, 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



