

STAND. COM. REP. NO. 1122

Honolulu, Hawaii
March 17, 2017

RE: S.B. No. 1105
S.D. 2
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 S.B. No. 1105, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose of this measure is to improve the economics of building and operating rental housing in the State by:

- (1) Expanding the types of rental housing projects that can be exempt from general excise taxes; and
- (2) Allowing the terms of collective bargaining agreements and associated provisions to be deemed the prevailing wages and terms serving as the basis of compliance with chapter 104, Hawaii Revised Statutes (HRS), for the construction of rental housing projects.

The Hawaii Housing Finance and Development Corporation (HHFDC), Hawaii Construction Alliance, Hawaii Rental Housing Coalition, and Pacific Resource Partnership testified in support of this measure. The Department of Taxation, Department of Labor and Industrial Relations, Hawaii Community Development Authority, Tax Foundation of Hawaii, and General Contractors Association of Hawaii provided comments on this measure.

SB1105 HD1 HSCR HSG HMS 2017-2956



Your Committee has amended this measure by:

- (1) Specifying that except for the special prevailing wage established in the measure, the prevailing wages shall be not less than the wages payable under federal law to corresponding classes of laborers and mechanics employed on public works projects in the State under contract or agreement with the federal government;
- (2) Amending the qualifying conditions as they relate to the terms of collective bargaining agreements and associated provisions deemed to be the prevailing wages and terms serving as the basis of compliance with chapter 104, HRS, for work on certain projects approved and certified for general excise tax exemption by HHFDC;
- (3) Clarifying that a general excise tax exemption, not a tax credit, under this measure is available for taxable years beginning after December 31, 2017;
- (4) Changing its effective date to July 1, 2050, to facilitate further discussion; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Should this measure be deliberated further, your Committee respectfully requests that subsequent committees consider the Tax Foundation of Hawaii's testimony that the proposed language in the measure regarding section 201H-36(a)(5), HRS, is inaccurate, as no tax credit is established under paragraph (5). Your Committee notes that section 201H-36, HRS, refers to an exemption from general excise tax for certain projects; however, the exemption is in section 237-29, HRS. To address this problem, the Tax Foundation suggests deleting the proposed language and having the measure take effect for taxable years beginning after December 31, 2017.

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 S.B. No. 1105, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1105, S.D.



2, H.D. 1, and be referred to your Committee on Labor & Public Employment.

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



TOM BROWER, Chair



