

STAND. COM. REP. NO. 1986-18

Honolulu, Hawaii

APR 06 , 2018

RE: S.B. No. 2402
S.D. 2
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 Finance, to which was referred S.B. No. 2402, S.D. 2, 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 continue working to reduce the shortage of affordable housing in Hawaii by amending the State low-income housing tax credit to:

- (1) Specify that certain sections of the Internal Revenue Code relating to at-risk rules and deductions and to passive activity loss for purposes of the federal low-income housing tax credit do not apply with respect to claims for the state low-income housing tax credit; and
- (2) Provide a safeguard, by limiting the maximum credit amount to fifty percent of the federal credit amount allocated to the property, to prevent taxpayers from acquiring properties from a related person at an inflated price using nonrecourse liability and increasing the basis amount upon which the tax credit is calculated.



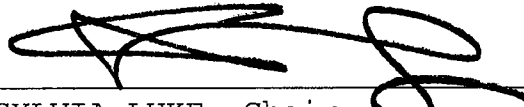
The Hawaii Housing Finance and Development Corporation, InState Partners, Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i, and a concerned individual testified in support of this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by:

- (1) Changing its effective date to July 1, 2030, to facilitate further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2402, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2402, S.D. 2, H.D. 1.

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



SYLVIA LUKE, Chair



