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To: The Honorable Tom Brower, Chair
and Members of the House Committee on Housing

Date: Tuesday, February 7, 2017

Time: 9:00 A.M.

Place: Conference Room 423, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1531, Relating to Savings Programs

The Department of Taxation (Department) appreciates the intent of the measure to increase home ownership, but notes that there is already a program to encourage home ownership in the Individual Housing Accounts (IHA) under section 235-5.5, Hawaii Revised Statutes. The Department otherwise defers to the Department of Budget and Finance on the merits of this measure, and provides the following comments regarding H.B. 1531 for your consideration.

H.B. 1531 establishes a homeownership savings program to enable persons to save for the down payment on their first principal residence. The measure is effective upon approval, and applies to taxable years beginning after December 31, 2016.

First, the Department notes that this savings program is very similar to the IHA account program already established, and it is unclear why two programs are necessary to accomplish the same goals. The Department believes that if any changes are needed to the program, it should be done within the context of the already existing IHA program, rather than creating an entirely new program. If, however, it is determined that both programs are necessary, participation should be limited to only one of the programs, rather than having both available.

The Department is concerned that this measure does not limit the amount that may be accumulated, or limit participation in the program to those under a certain income level, or have a limit on the value of the home. As it is written, a multi-millionaire could participate, so long as the funds are used for the purchase of a first home, even if that home costs several million dollars.

Finally, if this measure were to be adopted, the Department would be able to implement the measure with the current effective date.

Thank you for the opportunity to provide comments.

February 7, 2017

The Honorable Tom Brower, Chair

House Committee on Housing
State Capitol, Room 423
Honolulu, Hawaii 96813

RE: H.B. 1531, Relating to Savings Programs

HEARING: Tuesday, February 7, 2017, at 9:00 a.m.

Aloha Chair Brower, Vice Chair Nakamura, and Members of the Committee.

I am Myoung Oh, testifying on behalf of myself to **offer comments** on H.B. 1531 which establishes a homeownership savings program to enable persons to save for the down payment on their first principal residence.

This measure seems to model after the College Savings Plan 529 which includes many benefits of state and federal tax codes. May I make a suggestion that rather than utilizing this vehicle as solely a homeownership saving plan, recreate a model that have been working in other states that is not only used for homeowners but also to expand a small business located in Hawaii, obtain education and bob training, make essential repairs to owner occupied housing, or purchase a vehicle for employment, education, or job training purposes.

The Individual Development Accounts (IDAs) are available on a limited basis to qualified residents in various states such as Indiana (est. 1997) and Michigan who are interested in improving their financial literacy and participating in a dedicated savings program where their deposited funds are matched.

Once matched, and upon completion of a detailed work plan and financial counseling, program participants may put their savings towards a qualified asset purchase. These purchases may include a higher education, a home, or a small business.

While this measure is laudable, I would recommend the creation of a Hawaii State IDA plan to assist people with limited means in achieving financial independence and becoming financially self-sufficient by providing them the skills.

Mahalo for the opportunity to testify and offer comments.

Myoung Oh, Self

