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

Date: Tuesday, January 6, 2018
Time: 9:30 A.M.
Place: Conference Room 423, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 1820, Relating to Low Income Housing Tax Credit

The Department of Taxation (Department) offers the following comments regarding H.B. 1820 for your consideration. H.B. 1820 amends the Low Income Housing Tax Credit (LIHTC) under Hawaii Revised Statutes (HRS) section 235-110.8, so that it can be used as a credit to offset general excise tax (GET) liability. The measure is effective upon approval and applies to taxable years beginning after December 31, 2018.

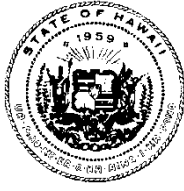
First, the Department notes that no other income tax credit may be used to offset GET liability. The GET is the main source of the State's revenue and the Department and the Department has serious concerns about the precedent that this measure would set and the potential revenue loss.

Second, the Department notes that measure would allow any GET liability to be offset, not just the income from low-income building project from which the LIHTC was derived.

Finally, the LIHTC was modified by Act 129, Session Laws of Hawaii 2016, to shorten the credit period from 10 to 5 years. In addition, there are several measures introduced this session that also amend the LIHTC to relax the passive activity loss and at-risk limitations for investors. The Department suggests monitoring the effect shortened credit period and these potential amendments on low-income Housing in Hawaii before amending the LIHTC any further. Incentives may work when properly balanced, however, the Department cautions that over incentivizing will result in a taxpayer windfall.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

February 6, 2018 at 9:30 a.m.
State Capitol, Room 423

In consideration of
H.B. 1820
RELATING TO LOW-INCOME HOUSING TAX CREDIT.

HHFDC opposes H.B. 1820, which would allow the State Low-Income Housing Tax Credit (LIHTC) to be claimed against General Excise Taxes. Generally, HHFDC supports measures that tend to increase demand for and the value derived from the sale of State LIHTCs. However, we concur with and defer to the Department of Taxation's testimony against this bill.

Thank you for the opportunity to testify.

HB-1820

Submitted on: 2/5/2018 9:20:50 AM

Testimony for HSG on 2/6/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments: