



**LATE**

April 2, 2018

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Agaran, Vice Chair  
Senate Committee on Ways and Means

**Support and Proposed Amendments relating to HB 2332, HD1, SD1 Relating to the Low-Income Housing Tax Credit (Specifies 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. Caps the state low-income housing tax credit at fifty per cent of the federal low-income housing tax credit. Takes effect on 1/1/2050.)**

**Tuesday, March 13, 2018, 2:45 p.m., in Conference Room 225**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support of HB 2330, HD 1, SD1**, and respectfully requests that your Committee **amend the effective date of this measure to July 1, 2018**.

**HB 2332, HD1, SD1.** This bill specifies 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 (LIHTC). Caps the state LIHTC at fifty per cent of the federal low-income housing tax credit. Takes effect on 1/1/2050.

**LURF's Position.** Under existing law and rules, the State's LIHTC is mostly used by large corporations or financial institutions and it is difficult for other Hawaii taxpayers to participate in LIHTCs. This limited pool of investors lowers demand, and, therefore, reduces the equity that can be generated, for each dollar of State LIHTC that is issued.

This measure is intended to further expand the pool of Hawaii taxpayers that would consider the State LIHTC to be an attractive investment by eliminating the applicability of the at risk and passive activity loss rules to the State LIHTC. This allows affordable rental housing developers to de—couple the State LIHTC from an ownership share in affordable rental project being financed, thereby allowing any Hawaii taxpayer with income tax liability to use the State LIHTC.

The State and proponents of this bill believe that by doing so, there will be an increased demand for the State LIHTC, and therefore, a corresponding increase in the dollar-per-dollar value of equity generated by the State LIHTC for the affordable rental housing project being developed.

Based on the above, LURF respectfully urges your favorable consideration of HB 2332, HD1, SD1, and LURF's proposal to **amend the effective date of this measure to July 1, 2018.**

Thank you for the opportunity to present testimony in support of this bill.

Please feel free to contact David Arakawa, LURF Executive Director, if there are any questions.