

STAND. COM. REP. NO.

3628

Honolulu, Hawaii

MAY 21 2020

RE: H.B. No. 2527
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2527, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE LOW-INCOME HOUSING TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the State Low-Income Housing Tax Credit to increase the amount of equity generated by the sale of the Low-Income Housing Tax Credit for affordable rental housing developments.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation; Faith Action; Hunt Companies, Inc.; and Hawai'i Appleseed Center for Law & Economic Justice. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that under existing law, the relatively small pool of investors lowers the demand for the State Low-Income Housing Tax Credits, and, in turn limits the equity that can be generated for affordable rental housing projects through the sale of the State Low-Income Housing Tax Credits. By making the at-risk and passive activity loss limitation rules inapplicable to State Low-Income Housing Tax Credits investors, this measure would



expand the pool of Hawaii taxpayers that can invest in State Low-Income Housing Tax Credits and increase its pricing, thereby generating more equity toward affordable rental housing projects. Your Committee further finds that provisions in the original version of this measure that were intended to prevent abuse and unintended revenue losses for the State were deleted in this House Draft. Your Committee further finds that buildings placed in service this year could still sell State Low-Income Housing Tax Credits because the credit is taken over a five year period. Finally, your Committee notes that the Low-Income Housing Tax Credits should not expire on December 31, 2021, as contemplated by Act 129, Session Laws, 2016.

Accordingly, your Committee has amended this measure by:

- (1) Inserting a provision that removes the credit for investments in a building if that building ceases to be a qualified low-income building;
- (2) Making the new rules applicable to buildings placed in service after December 31, 2019;
- (3) Extending the Low-Income Housing Tax Credits for six years;
- (4) Making it effective upon its approval; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 H.B. No. 2527, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2527, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.



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

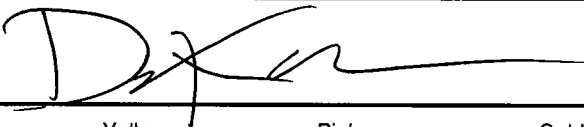


STANLEY CHANG, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2527, HD1	HOU, WAM	3/12/20		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHANG, Stanley (C)	✓			
KANUHA, Dru Mamo (VC)	✓			
MORIWAKI, Sharon Y.	✓			
THIELEN, Laura H.	✓			
FEVELLA, Kurt				✓
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes