

Honolulu, Hawaii

**FEB 14 2019**

RE: S.B. No. 100  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 100  
entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Eliminate the home mortgage interest deduction for second homes under Hawaii income tax law; and
- (2) Require the Department of Taxation to annually calculate the amount of state revenue gained by eliminating the deduction and transfer an equivalent amount of income tax revenue to the rental housing revolving fund.

Your Committee received testimony in support of this measure from the League of Women Voters. Your Committee received testimony in opposition to this measure from the Hawai'i Association of REALTORS. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, and Tax Foundation of Hawaii.

Your Committee finds that Hawaii has one of the lowest homeownership rates in the United States. This issue is further exacerbated by the high cost of living in Hawaii, and specifically the high cost of housing in Hawaii. Your Committee further finds




that the home mortgage income tax deduction was established to encourage homeownership for Hawaii residents. However, under existing law, individuals are able to purchase a second home for the same tax deduction, taking away potential housing for those hoping to purchase their first home. Your Committee finds that more incentives should be put toward helping residents purchase their first home, rather than encouraging ownership of a second home. This measure would result in increased tax revenue for the State and direct that additional revenue to the rental housing revolving fund, which will be used to assist those most in need of a primary housing residence.

Your Committee has amended this measure by:

- (1) Deleting the provision requiring the Department of Taxation to annually calculate the amount of tax revenue gained due to the elimination of the home mortgage interest deduction for second homes and instead only requiring the revenue gained to be deposited into the rental housing revolving fund; and
- (2) 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 S.B. No. 100, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 100, S.D. 1, and be referred to your Committee on Ways and Means.

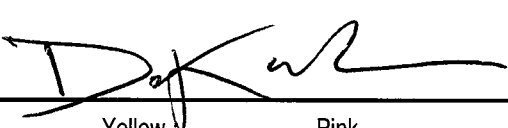
Respectfully submitted on  
behalf of the members of the  
Committee on Housing,

  
STANLEY CHANG, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Housing**  
**HOU**

Bill / Resolution No.:* <b>SB 100</b>	Committee Referral: <b>HOU, WAM</b>	Date: <b>2/7/2019</b>		
<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	✓			
<b>TOTAL</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-size: 2em; font-family: cursive;">  </div>				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes