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FINANCIAL ADMINISTRATION DIVISION
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WRITTEN ONLY
TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 1310

**February 7, 2019
1:20 p.m.
Room 225**

RELATING TO INDIVIDUAL HOUSING ACCOUNTS

Senate Bill No. 1310: establishes the Individual Housing Accounts Savings Program (Program) and Individual Housing Accounts Savings Board (Board) within the Department of Budget and Finance (B&F); requires the Board to adopt administrative rules for the Program; requires the Board to submit annual reports to the Legislature detailing the Board's activities for the previous fiscal year; establishes the Individual Housing Accounts Savings Administrative Fund (Administrative Fund); and appropriates unspecified amounts of general and special funds in both FY 20 and FY 21 for the Board's administrative and operating expenses.

B&F appreciates the intent of this measure, but points out that according to data provided by the Department of Taxation, Individual Housing Accounts are not widely utilized by the public despite being offered by some financial institutions. Therefore, it may be difficult for the program to garner enough participants to be able to achieve economies of scale. Consequently, B&F strongly recommends that the Legislature have the Legislative Reference Bureau conduct a thorough analysis of the program as proposed in this bill to fully understand the costs, benefits and feasibility of implementation.

Thank you for your consideration of our comments.

SB-1310

Submitted on: 2/6/2019 1:00:07 PM

Testimony for HOU on 2/7/2019 1:20:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

SB-1310

Submitted on: 2/6/2019 10:58:33 AM

Testimony for HOU on 2/7/2019 1:20:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Tay	Individual	Support	No

Comments:

I am supporting Bill SB 1310 and 1311. Housing Saving Account is not a silver bullet but in light of the low saving rate. This proposed bill will help establish a feasible solution to promote saving toward homeownership.

Home Ownership is an American dream come true for all ethnicities. A community with higher homeownership promote(s) a healthier and safer community. Home Ownership also supports a caring and compassionate community which looks out for the best interest of our neighborhood. For instance, a higher owner-occupied building would be better maintained when owner participation is high.

What has prevented many people from home ownership is the high cost of housing in many urban cities across the United States and a lack of down payment savings. Many of our affordable housing is beyond affordable. For a new starter family to purchase a home, the amount of their savings is of paramount importance to 1) have a down payment and 2) to not only qualify for but to reduce their monthly mortgage payment.

The housing saving account shall be modeled after 529 education saving plan for American taxpayers. Besides, the program and its custodian(s) shall be administered by each state government. The housing savings account program proposed shall adopt the Alaska program which will allow a one-time, tax-free contribution by relatives of the beneficiary. This program will offer housing savings on a tax-deferred basis, and the compounding of a tax-deferred gain will help the savings account beneficiaries to keep up with housing inflation.

Contribution(s) to the fund can be contributed by grandparents, parents, partners, and family members for the Account beneficiary. Before tax contribution(s) shall be limited to the account holder.

A.) Down Payment on Home Purchase assistance.

Homeownership is the cornerstone of the American Dream. The saving account will empower our next generation to be homeowners by Giving the ability to help families qualify for a home mortgage and ultimately on homeownership.

The economic ramification of this down payment program will help promote new housing for buyers and promote economic growth. Along the way, jobs would be created and truly impact our local economy. For every successful real estate transaction, sellers and buyers purchase goods and services to maintain, repair or spruce up homes, which affect many industries and professionals. For instance, a \$600,000 new home purchase would see economic activities benefitting the developer which engage construction crews from all walks of trade unions, architects, engineers, etc. On the sales side, it impacts Realtors, Loan originators, Attorneys, Escrow and Title companies, Home Inspectors, Termite Inspectors, Surveyors, Insurance agent and ultimately local government revenue on conveyance and property tax, etc. Federal and State governments would be able to collect income tax on both individual and corporations that have created value from each transaction.

B.) Economy Hardship assistance

The home savings account would also promote sustainable homeownership. It can assist our homeowners especially during economic hardship toward payments on the mortgage, maintenance, and property tax during the time of job displacement. During the 2008 financial crisis, we saw many Americans who lost their home due to economic hardship and lower down payment. A lower down payment program means a much higher monthly payment with mortgage insurance. The added mortgage insurance increases the financial burden on homeowners during economic hardship. Unemployment benefits payments only can sustain household expenses. With the housing saving account's economy hardship clause, the program will help support our homeowners who have experienced job displacement, divorce, and family hardship due to loss of a wage earner in the family.

C.) Capital Improvement for homeownership assistance.

The Capital Improvement clause would allow the beneficiary to request fund(s) to be distributed and explicitly utilized on payments towards significant capital home improvement during the lifetime of homeownership.

Every home capital improvement activity would engage different laborers from the construction industry on all cycle of the economy. Especially during the downturn of the economy, these activities help sustain jobs and the big boxes stores like Home Depot, Lowes, and many local supply houses.

The job sustainability with the inflow of capital improvement(s) will allow our local economy to shelter the downturn pressure and on jobs displacement due to economic cycles.

For every dollar spent on capital improvement, it helps to generate or create multiplier effects on our local and State GDP.

D.) Eternity Housing/Last expenses assistance (Cemetery/mortuaries services)

The expense of the purchase of eternity housing (cemetery and memorialization services) will help promote our homeowner with pre-planning need and live with dignity during their lifetime. This expense will be able to help sustain jobs in the memorialization industry. The tax benefits arise from the sales and administration of the services help support local, state and federal tax collections.

E.) Senior housing assistance.

Toward the retirement stage of the beneficiary, it would allow a distribution of the fund toward subsidies the senior housing expenses option.

The fund can help pay for parts of the senior housing expenses. These expenses will be able to help sustain jobs in the senior housing industry. The tax benefits arise from the sales and administration of the services help support local, state and federal tax collections.

F.) Termination or Exit Strategy

Early Termination on the saving account would be subject to 10 % penalty by IRS. The exit of the program due to death of the beneficiary would be subject to estate taxes guideline set by IRS and state tax codes.