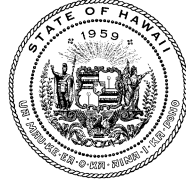


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Stanley Chang, Chair;
The Honorable Dru Mamo Kanuha, Vice Chair;
and Members of the Senate Committee on Housing

From: Rona M. Suzuki, Director
Department of Taxation

Re: **S.B. 2695, Relating to Housing**

Date: Tuesday, February 11, 2020

Time: 1:45 P.M.

Place: Conference Room 225, State Capitol

The Department of Taxation (Department) provides the following comments on S.B. 2695.

S.B. 2695 establishes a housing incentive fund and an income tax credit for contributions to the fund. The credit is equal to the amount contributed to the housing incentive fund, but with an additional limit stating that no more than 20 percent of the credit can be claimed in any taxable year. The credit is to be certified by the Hawaii Public Housing Authority (HPHA) and capped at \$4 million per biennium. The bill is effective upon approval and applies to low-income buildings placed in service after December 31, 2019.

The Department appreciates that the duty of certifying the credit is assigned to HPHA, but recommends that the bill be amended to make clear that HPHA is also responsible for administering the aggregate cap. As with other credits that require a certification, the Department will work with the certifying agency on procedures and any required forms.

The intent of the 20 percent limitation on the credit amount is unclear. If the intent is to limit the credit to 20 percent of the taxpayer's contributions, then the Department recommends defining the credit amount as 20 percent of the amount contributed.

As currently drafted, the provision for carryforward of the credit may be interpreted to allow the excess amount to be claimed in *each* of the 10 succeeding taxable years. If it is the intent to allow the carryover to be used in subsequent years until exhausted, but not for more than 10 years, then the Department recommends subsection (c) be amended to read as follows:

(c) If the amount of the credit exceeds the taxpayer's income tax liability for the taxable year, the excess may be used as a credit against the taxpayer's income tax liability in subsequent taxable years, until exhausted; provided that no amount shall be used as a credit in any taxable year more than ten

years from the year the credit was generated.

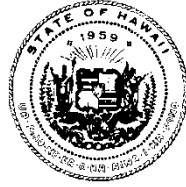
The Department also recommends including the following language in subsection (c) of the bill, which is contained all of the other income tax credits:

All claims, including any amended claims, for tax credits under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

Finally, the Department respectfully requests that this new tax credit be made available for taxable years beginning after December 31, 2020. This will allow sufficient time to the Department and HPHA to prepare the necessary forms, instructions, procedures, and computer system changes to properly administer the credit.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII

HAWAII PUBLIC HOUSING AUTHORITY
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POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

Statement of
Hakim Ouansafi

Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON HOUSING

Tuesday, February 11, 2020
1:45 PM - Room 225, Hawaii State Capitol

In consideration of

SB 2695

RELATING TO HOUSING

Honorable Chair Chang, and Members of the Senate Committee on Housing, thank you for the opportunity to provide testimony concerning Senate Bill (SB) 2695, relating to housing.

The Hawaii Public Housing Authority (HPHA) **strongly supports** SB 2695. This measure creates the housing incentive fund to be administered by the HPHA and creates a tax credit for individuals or corporations who contribute to the fund.

Hawaii faces a growing shortfall of affordable homes for low and middle-income populations. This includes working families, seniors on fixed incomes, people with disabilities, and other at-risk populations. Many of these families are rent-burdened, meaning they pay more than 30% of their income to housing costs. When that threshold is crossed, households must spend more on basic housing needs, leaving less income for other household essentials (like healthcare, transportation, food, and clothing). Moreover, a single financial setback can send a rent-burdened household into severe economic hardship or homelessness – impacting not only the residents, but neighborhoods, communities, and our economy.

This measure gives the HPHA the ability to administer the housing incentive fund, in addition to the \$50M from the state, which would be a catalyst to moving more quickly with the rehabilitation of HPHA's existing aged inventory and current and future redevelopment projects. This would allow any individual or entity to be part of the housing solution and their contribution would be immediately available to underwrite affordable housing units, either on our own, through partnerships or through other creative means in order to contribute to

fulfilling the Legislature's and Administration's goal of creating 22,500 affordable rental housing units by 2026 . Allowing the HPHA to administer this program will further assist the HPHA's mission to serve the very poor in the best communities possible. This will provide a vital resource to accomplish that goal, especially as HPHA works to diversify income levels at its traditional public housing developments, particularly with the eighty-three (83) acres located in TOD neighborhoods on Oahu.

Please know that this measure does not create competition with, nor would it diminish from, the mission of other agencies and departments. Instead, this measure will enhance and supplement our joint efforts to create affordable housing of all types, especially with serving the most vulnerable populations that other agencies and departments are not able to serve.

The HPHA appreciates the opportunity to provide the Committee with the HPHA's testimony in **strong support** of SB 2695, so long as it does not adversely impact the Governor's Supplemental Budget, and we thank you very much for your dedicated support.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
TUESDAY, FEBRUARY 11, 2020 AT 1:45 P.M.**

To The Honorable Stanley Chang, Chair;
The Honorable Dru Mamo Kanuha, Vice Chair; and
Members of the Committee on Housing,

TESTIMONY IN SUPPORT OF SB2695 RELATING TO HOUSING

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of SB2695.

The Maui Chamber of Commerce supports this bill to create a housing incentive fund. Upfront access to capital is important to get affordable housing projects started. We appreciate that this bill allows for a variety of homebuilders, including developers, nonprofits and public/private partnerships to use these funds. Further, we support the inclusion of a tax credit that will incentivize individuals and corporations contributions to the fund and affordable housing and rentals.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.