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To: The Honorable Stanley Chang, Chair
and Members of the Senate Committee on Housing

Date: Tuesday, February 5, 2019
Time: 1:15 P.M.
Place: Conference Room 225, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 867, Relating to Housing

The Department defers to the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill, and provides the following comments regarding S.B. 867 for your consideration.

S.B. 867 removes the \$30 million per year aggregate cap on construction costs eligible for general excise tax exemption for substantially renovated projects, and makes permanent the amendments to section 201H-36, Hawaii Revised Statutes, made by Act 54, Session Laws of Hawaii (SLH) 2017, as it was amended by Act 39, SLH 2018. The measure takes effect on July 1, 2019.

This measure does not have a significant administrative impact on the Department. As such, the Department is able to administer the changes with its current effective date.

Thank you for the opportunity to provide comments.



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Honolulu, Hawaii 96813
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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

February 5, 2019 at 1:15 p.m.
State Capitol, Room 225

In consideration of
S.B. 867
RELATING TO HOUSING.

The HHFDC ***offers the following comments*** on S.B. 867. HHFDC believes that this measure may be premature, as HHFDC has yet to receive any applicants for the General Excise Tax (GET) exemptions established by Act 54, Session Laws of Hawaii (SLH) 2017, as amended by Act 39, SLH 2018.

Under these Acts, from July 1, 2018 through June 30, 2030, affordable rental housing projects developed through new construction or substantial rehabilitation, under a contract described in §104-2(i)(2), HRS, may be certified for exemption from GET, provided that the exemption:

1. Applies to contracting only;
2. Is capped at \$30,000,000 per year in the aggregate; and
3. Applies to projects for households at or below 140 percent of the HUD area median income, of which 20 percent is for households at or below 80 percent of the HUD area median income.

Since its enactment, HHFDC promulgated amendments to its administrative rules for the GET exemption program to add a new subchapter implementing the exemptions authorized by Act 54, SLH 2017 as amended, in consultation with stakeholders, the Department of Labor and Industrial Relations, and the Department of Taxation. The rules were effective on October 28, 2018, and may be found on the HHFDC website at the following link: <https://dbedt.hawaii.gov/hhfdc/files/2018/10/201809261358ES-Approved-HAR-Chapter-15-306-GET-Exemptions.pdf>.

Thank you for the opportunity to testify.

LATE

SB-867

Submitted on: 2/5/2019 11:13:33 AM

Testimony for HOU on 2/5/2019 1:15:00 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: