

STAND. COM. REP. NO. **437**

Honolulu, Hawaii

, 2021

FEB 18

RE: H.B. No. 1388

H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 1388 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Eliminate the home mortgage interest deduction for second homes under the State's Hawaii income tax law; and
- (2) Require the amount of state revenue gained by eliminating the deduction to be deposited into the Rental Housing Revolving Fund.

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, Tax Foundation of Hawaii, and Grassroot Institute of Hawaii.

Your Committee finds that Hawaii is currently experiencing a housing shortage in which there are not enough homes to meet demand. By removing the homeowners interest deduction for second homes, this measure encourages those who own second homes to sell

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those homes, which would increase the housing supply for Hawaii residents who could use the home as their primary residence.

Your Committee has amended this measure by:

- (1) Deleting provisions that would have deposited the amount of state revenue gained by eliminating the home mortgage interest deduction for second homes into the Rental Housing Revolving Fund;
- (2) Changing the effective date to July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1388, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1388, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



SEAN QUINLAN, Chair



