

STAND. COM. REP. NO.

209

Honolulu, Hawaii

FEB 12 2021

RE: S.B. No. 202

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 202 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) Direct that any revenue derived from the elimination of the second home mortgage interest deduction be deposited into the rental housing revolving fund.

Your Committee received testimony in support of this measure from one individual. Your Committee received testimony in opposition to this measure from the Hawaii Association of Realtors and one individual. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, and the Tax Foundation of Hawaii.

Your Committee finds that the federal mortgage interest deduction, to which Hawaii conforms, was first introduced in 1913. Its purpose was to encourage the purchase of a home by offsetting the amount of mortgage interest paid from any tax liability that the homeowner may have incurred. However, Hawaii currently finds itself in a housing crisis where there are not enough homes to



meet demand. Your Committee believes that removing the homeowners interest deduction for second homes would encourage those who own second homes to sell them, increasing the housing supply for Hawaii residents who could use the home as their primary residence.

Your Committee further finds that the testimony from the Department of Tax and the Tax Foundation of Hawaii wherein they opined that instead of depositing any tax revenue from this measure directly into the rental housing revolving fund that the legislature should seek an appropriation from the general fund for the rental housing revolving fund is in contradiction with the requirements of section 37-52.3, Hawaii Revised Statutes, which requires special funds to reflect a clear nexus between the program and the source of revenue.

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. 202 and recommends that it pass Second Reading and be referred to your Committee on Ways and Means.

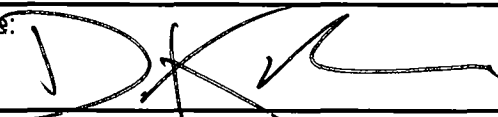
Respectfully submitted on
behalf of the members of the
Committee on Housing,


STANLEY CHANG, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 202	HOU, WAM	2/21/21		
<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 checked="" type="checkbox"/> Pass, unamended 2312 <input 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.	✓			
RHOADS, Karl	✓			
FEVELLA, Kurt		✓		
TOTAL	4	1	0	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes