

STAND. COM. REP. NO.

1412

Honolulu, Hawaii

MAR 25 , 2021

RE: S.B. No. 659
S.D. 2
H.D. 2

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

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 659, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to amend the Low-Income Housing Tax Credit by:

- (1) Allowing the tax credit to be allocated among the partners or members of the partnership or limited liability company earning the credit in any manner agreed to by the partners or members;
- (2) Extending the increases made to the tax credit until December 31, 2027; and
- (3) Applying the amendments to taxable years beginning after December 31, 2020.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation; Chamber of Commerce Hawaii; Bank of Hawaii; Dowling Company, Inc.; Sugar Creek Capital; National Association of Industry and Office

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Properties - Hawaii Chapter; Hunt Companies, Inc.; and Maui Chamber of Commerce. Your Committee received comments on this measure from the Department of Taxation, Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committee finds that broadening how partners or members of a partnership or limited liability company decide to allocate any Low-Income Housing Tax Credit earned in a taxable year will expand the availability of the tax credit at little to no cost to the State. Your Committee further finds that expanding access to this tax credit will support the development of affordable housing by increasing the available equity and feasibility of the construction of affordable rental housing development projects in the State.

Your Committee notes that your Committee received written testimony on this measure expressing concern that the amendments proposed in this measure to the Low-Income Housing Tax Credit would imperil the State's receipt of federal funds under the American Rescue Plan of 2021, Public Law 117-2. Under section 9901 of the American Rescue Plan of 2021, federal funds are prohibited from being used to either directly or indirectly offset a reduction in the net tax revenue of the State resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax. Should your Committee on Finance consider this measure, your Committee respectfully requests that it give consideration to this concern.

Your Committee has amended this measure by:

- (1) Changing, from December 31, 2027, to an unspecified date, the repeal date for Act 129, Session Laws of Hawaii 2016, which placed restrictions on taxpayers claiming the Low-Income Housing Tax Credit after December 31, 2016; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee requests that, as this amended measure progresses through the legislative process, consideration be given to December 31, 2027, as the repeal date for Act 129, Session Laws of Hawaii 2016.



As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 659, S.D. 2, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as S.B. No. 659, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



AARON LING JOHANSON, Chair



