

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA
DIRECTOR

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DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2787, H.D. 2, Relating to the Individual Housing Account Program.

BEFORE THE:

Senate Committee on Housing

DATE: Tuesday, March 12, 2024

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 225

Chair Chang, Vice-Chair Hashimoto, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2787, H.D. 2 for your consideration.

Section 2 of H.B. 2787, H.D. 2 amends section 235-5.5, Hawaii Revised Statutes (HRS), to increase the maximum income tax deduction for contributions to an Individual Housing Account (IHA), by amending the maximum amount of annually deductible contributions from \$5,000 for single filers and \$10,000 for joint filers to unspecified amounts. The aggregate deduction limitation per taxpayer for all taxable years would also be amended from \$25,000, not including interest paid or accrued, to an unspecified amount.

Section 3 of H.B. 2787, H.D. 2 directs the Department to promptly create and implement awareness programs and materials to educate the public about the IHA program, its eligibility requirements, and other information or helpful resources. Section 5 of the bill appropriates an unspecified amount for fiscal year 2024 to 2025 for the Department to create and implement the public awareness program.

The measure has a placeholder effective date of July 1, 3000 and applies to

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taxable years beginning after December 31, 2024. Should a functional effective date be adopted, the Department is able to administer this bill for taxable years beginning after December 31, 2024. Thank you for the opportunity to provide comments.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
Tuesday, March 12, 2024, 1:00 P.M.

To The Honorable Senator Stanley Chang, Chair
The Honorable Senator Troy N. Hashimoto, Vice Chair
Members of the committee on Housing

SUPPORT HB2787 HD2 RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB2787 HD2**.

Housing is a top priority for the Maui Chamber of Commerce and continues to be so as the crisis escalates following the wildfires and it directly impacts businesses and our economic revitalization. Before the wildfires, we needed over 10,000 units by 2025, but that number has only increased as 3% of our housing was lost in Lahaina. This is one of the main factors in the ever-increasing pricing of housing.

The Chamber feels that increasing the amount an individual can contribute, annually, from \$5,000 to \$20,000 to their Individual Housing Account is warranted given today's housing prices. We also agree with increasing the lifetime maximum, that can be contributed, from \$25,000 to \$200,000 reflect the reality of the current housing price environment.

This proposal will assist those who choose to save for a down payment for purchasing their first home. The added fact that the contributions are an allowable deduction on their taxes will help the individual afford to contribute more to their account.

This is another excellent tool in the toolbox for housing and a bill that should be fast-tracked.

For these reasons, we **support HB2787 HD2**.

Sincerely,

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.

March 12, 2024, 1 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy N. Hashimoto, Vice-Chair

LATE

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

COMMENTS IN SUPPORT OF HB2787 HD2 —RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

Aloha Chair Chang, Vice-Chair Hashimoto and Committee Members,

The Grassroot Institute of Hawaii would like to **comment in support** of [HB2787 HD2](#), which could increase the amount of money that individuals or couples could add to their tax-deductible “individual housing accounts” under the state’s Individual Housing Account Program.

The bill would also direct the state Department of Taxation to raise awareness about these accounts.

The purpose of the state’s Individual Housing Account Program is to help prospective first-time homebuyers save money to be used for buying a house. Currently, individuals can contribute up to \$5,000 a year to their accounts and couples up to \$10,000 a year. The maximum they can contribute is \$25,000.

Earlier versions of this bill proposed quadrupling these various amounts, but unfortunately, this measure now leaves those proposed increased amounts blank.

We urge the committee to reinstate the earlier proposed increases at the same levels or even higher.

In any case, updating this clause is long overdue. These amounts have not been increased since the program was launched in 1982.¹ A year prior, median home prices in Honolulu were in the \$188,000 range.² With the median home price now hovering around \$1 million, it is clear these figures should be increased significantly.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

¹ [“OHA-6: HB1746/SB2135 Individual Housing Account Tax Incentives,”](#) Office of Hawaiian Affairs, 2018, p. 1.

² Louise A. Rose and Sumner La Croix, [“Urban Land Price: The Extraordinary Case of Honolulu, Hawaii,”](#) Working paper 88-7, July 1988, forthcoming for Urban Economics, p. 1.

HB-2787-HD-2

Submitted on: 3/11/2024 9:29:29 AM

Testimony for HOU on 3/12/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

SUPPORT!

MAHALO!

LATE

HB-2787-HD-2

Submitted on: 3/11/2024 4:32:31 PM

Testimony for HOU on 3/12/2024 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

I support this bill.