

JOSH GREEN, M.D.
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DEAN MINAKAMI
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STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

**HOUSE COMMITTEE ON TOURISM
AND
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY**

February 11, 2025 at 10:30 a.m.
State Capitol, Room 423

In consideration of
H.B. 916 HD1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chairs Tam and Ilagan, Vice Chair Templo and Hussey, and members of the Committees.

HHFDC **supports** HB 916 HD1, which allows tax credits claimed under the state low-income housing tax credit (LIHTC) program to be used to offset taxes imposed by the state transient accommodations tax (TAT) law. It also specifies that tax credit amounts applied to state TAT be limited to state TAT imposed in the same county in which the qualified low-income building is located. Lastly, it makes permanent Act 129, SLH 2016.

This bill would significantly expand the pool of investors by allowing developers and project partners to attract contributions from entities with TAT obligations, not just income tax liabilities. The broader investor base would enhance the ability of affordable housing developers to raise equity efficiently. Increased investor participation can lead to faster project funding, less reliance on other financing sources, and enhanced affordability for residents.

Thank you for the opportunity to testify on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
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DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 916, H.D. 1, Relating to the Low-Income Housing Tax Credit.

BEFORE THE:

House Committees on Tourism, and Economic Development & Technology

DATE: Tuesday, February 11, 2025

TIME: 10:30 a.m.

LOCATION: State Capitol, Room 423

Chairs Tam and Ilagan, Vice-Chairs Templo and Hussey, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 916, H.D. 1, for your consideration.

Section 2 of H.B. 916, H.D. 1, amends section 237D, Hawaii Revised Statutes (HRS), with a provision allowing for the application of the low-income housing tax credit to a taxpayer's Transient Accommodations Tax (TAT) liability.

Section 3 of H.B. 916, H.D. 1, amends section 235-110.8, HRS, to expand the applicability of the low-income housing tax credit. Specifically, it allows the existing income tax credit to be applied to TAT liabilities. If applied to TAT liabilities, the liabilities must be assessed "in the same county where the qualified low-income building is located."

The measure has a defective effective date of July 1, 3000, provided that section 3 shall apply to taxable years beginning after December 31, 2025.

DOTAX notes the proposed bill presents significant administrative challenges

with regard to applying an income tax credit to TAT liabilities. Extensive changes to the TAT reporting and payment system would be needed for taxpayers to claim an income tax credit on their TAT liabilities.

Verification of credits would also be difficult since low-income housing tax credits are often allocated among investors in an entity. Individuals or investors using the credit for TAT purposes will have completely different identifying information (e.g., SSN, TAT ID number, FEIN) than the accounts of the original entity that earned the credit. Furthermore, the payment and reporting of TAT occurs on a periodic basis, sometimes as often as every month, whereas an entity's reporting of its low-income housing tax credits will likely only occur on an annual basis. The difficulty of authenticating credit claims across different tax types, deadlines, and taxpayers with entirely different identifying information poses a significant risk for abuse.

Finally, DOTAX also notes the difficulty of tracking the county in which the qualified low-income structure is located for earning the credit, and limiting TAT credit claims based on the county in which a TAT liability is assessed.

If the measure passes DOTAX requests that the act apply to taxable years beginning after December 31, 2026 to provide sufficient time to make the necessary form, instruction, and system changes to expand the use of the low income housing tax credit.

Thank you for the opportunity to provide comments on this measure.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEES ON TOURISM and
ECONOMIC DEVELOPMENT & TECHNOLOGY
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423
Tuesday, February 11, 2025, 10:30 A.M.

To The Honorable Adrian K. Tam, Chair
The Honorable Shirley Ann Templo, Vice Chair
Members of the committee on Tourism
To The Honorable Greggor Ilagan, Chair
The Honorable Ikaika Hussey, Vice Chair
Members of the committee on Economic Development & Technology

SUPPORT HB916 HD1 RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

The Maui Chamber of Commerce **SUPPORTS HB916 HD1** which allows tax credits claimed under the state low-income housing tax credit program to be used to offset taxes imposed by the state transient accommodations tax law. Specifies that tax credit amounts applied to state transient accommodations taxes be limited to state transient accommodations taxes imposed in the same county in which the qualified low-income building is located.

Housing is one of the Maui Chamber's top priorities as we are in a housing crisis. We believe we need creative ideas and all of the tools in the toolbox to reach our housing goals across the state. This bill may help increase our housing stock through accommodations building or supporting low-income housing projects.

For these reasons, we **SUPPORT HB916 HD1** and respectfully request its passage.

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.

TAX FOUNDATION OF HAWAII

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SUBJECT: NET INCOME, TRANSIENT ACCOMMODATIONS, Allow Low-Income Housing Tax Credit to Offset TAT

BILL NUMBER: HB 916 HD 1

INTRODUCED BY: HASHEM

EXECUTIVE SUMMARY: Allows tax credits claimed under the state low-income housing tax credit program to be used to offset taxes imposed by the state transient accommodations tax law. Specifies that tax credit amounts applied to state transient accommodations taxes be limited to state transient accommodations taxes imposed in the same county in which the qualified low-income building is located.

SYNOPSIS: Amends section 235-110.8, HRS, to allow the low-income housing tax credit to be used to offset liability under the Transient Accommodations Tax Law, chapter 237D, HRS, in the county where the qualified low-income building is located.

EFFECTIVE DATE: July 1 3000, provided that section 2 shall apply to taxable years beginning after December 31, 2025.

STAFF COMMENTS: The bill recites that its purpose is to facilitate the construction of low-income housing by allowing the state low-income housing tax credit to be used to offset transient accommodations tax liability, which will increase the pool of investors for low-income housing projects.

The transient accommodations tax is a tax on furnishing transient accommodations and is generally passed on to the hotel guest. However, consumer protection issues could arise if a taxpayer passes on TAT to guests on their folios but is allowed to offset the credit through this bill.

If the objective is to monetize the low income housing tax credit, we recommend keeping the solution simple, like making the credit refundable, or perhaps making it refundable with a haircut as is done for the renewable energy credit.

Digested: 2/10/2025