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STATE OF HAWAII
DEPARTMENT OF TAXATION

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

TESTIMONY ON THE FOLLOWING MEASURE:

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

BEFORE THE:

House Committee on Housing

DATE: Wednesday, January 29, 2025

TIME: 9:15 a.m.

LOCATION: State Capitol, Room 430

Chair Evslin, Vice-Chair Miyake, and Members of the Committee:

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

Section 2 of H.B. 916 amends section 235-110.8, Hawaii Revised Statutes (HRS), to expand the applicability of the low-income housing tax credit. Specifically, it allows the existing income tax credit to be applied to transient accommodations tax (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 is scheduled to 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 a credit on their TAT liabilities.

DOTAX requests that if the measure is adopted, the legislature include an

amendment to chapter 237D, HRS, with a provision allowing for the application of the low income housing tax credit to a taxpayer's TAT liability. No credits exist under TAT law except in the case of overpayments on a taxpayer's own TAT account.

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 with the necessary amendments to chapter 237D, HRS, DOTAX requests that the act apply to taxable years beginning after December 31, 2026 to allow the changes to forms, instructions, and systems necessary to expand the use of the low income housing tax credit.

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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

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 HOUSING

January 29, 2025 at 9:15 a.m.
State Capitol, Room 430

In consideration of
H.B. 916

RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chair Evslin, Vice Chair Miyake, and members of the Committee.

HHFDC **supports** HB 916, 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 transient accommodations taxes be limited to state TAT imposed in the same county in which the qualified low-income building is located.

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. Allowing TAT liability offset makes state LIHTCs more attractive to businesses, particularly those in the tourism industry, thus fostering partnerships between sectors directly affected by Hawaii's housing crisis.

Thank you for the opportunity to testify on this bill.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

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

BILL NUMBER: HB 916

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: Upon approval, 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.

Whether or not the bill actually increases the pool of investors, the result sought by this bill does not seem objectionable to us.

Digested: 1/27/2025



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
Wednesday, January 29, 2025 AT 9:15 A.M.**

To The Honorable Representative Luke A. Evslin, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Housing

SUPPORT HB916 RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

The Maui Chamber of Commerce **SUPPORTS HB916** 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**.

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.