

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
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Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

March 14, 2025 at 9:00 a.m.
State Capitol, Room 430

In consideration of
S.B. 944 SD2
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

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

HHFDC **supports** SB 944 SD2, which authorizes a partner or member in a partnership or limited liability company that has been allocated a low-income housing tax credit (LIHTC) to further allocate the credit or transfer, sell, or assign up to 100% of the tax credit, under certain conditions. It also extends the sunset date for certain provisions of LIHTC for low-income buildings. It applies to taxable years after 12/31/25. The amendments to §235-110.8(b), HRS, shall sunset on 7/1/2030.

LIHTC is one of the most important resources for creating affordable housing in the United States today. This bill would significantly expand the pool of investors by allowing developers to further allocate the credit or transfer, sell, or assign up to 100% of the tax credit, under certain conditions. HHFDC also supports extending the sunset date by five years, to 2032, to provide greater certainty to developers and investors.

Thank you for the opportunity to testify on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 944, S.D. 2, Relating to the Low-Income Housing Tax Credit.

BEFORE THE:

House Committee on Housing

DATE: Friday, March 14, 2025
TIME: 9:00 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 S.B. 944, S.D. 2, for your consideration.

Section 1 of S.B. 944, S.D. 2, amends section 235-110.8(b), Hawaii Revised Statutes (HRS), to allow a partner or member of a partnership or limited liability company that has been allocated a low-income housing tax credit (LIHTC) to further allocate a credit, or transfer, sell, or assign all or a portion of a credit to any taxpayer (regardless of whether the taxpayer has a direct or indirect interest in the subject property). The transferee must have received the transfer or assignment of the credit before the tax return is filed and the transferor must notify DOTAX of the transfer, sale, or assignment at least 30 days before the transferee claims the tax credit.

Section 2 of the bill amends Act 129, Session Laws of Hawaii 2016, to extend its repeal and reenactment date from December 31, 2027, to December 31, 2032.

This measure has a defective effective date of July 1, 2050 and applies to taxable years beginning after December 31, 2025. Further, the provisions in this bill authorizing the transfer, sale or assignment of the LIHTC would sunset on July 1, 2030.

DOTAX can administer the changes in this bill for taxable years beginning after December 31, 2025.

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



GORDON M. ARAKAKI

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March 12, 2025

Hearing Date: Friday, March 14, 2025
Time: 9:00 AM
Place: Conference Room 430

The Honorable Luke A. Evslin, Chair
The Honorable Tyson K. Miyake, Vice Chair
House Committee on Housing

Re: Testimony of the American Council of Life Insurers in Support of SB 944, SD2 –
Relating to Low-Income Housing Tax Credit
(Written Testimony Only)

Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee on Housing:

Thank you for the opportunity to testify in **support** of SB 944, SD2, which would allow partnerships and limited liability companies to further allocate, transfer, sell, or assign all or portions of their State Low-Income Housing Tax Credits to other taxpayers. The bill also extends the sunset date (from 2027 to 2032) for certain provisions of the Low-Income Housing Tax Credit for low-income buildings.

I represent the American Council of Life Insurers (“ACLI”). ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. Ninety million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 275 member companies represent 93 percent of industry assets in the United States.

ACLI members invest in tax credits such as the Low-Income Housing Tax Credit that is the subject of SB 944, SD2. This measure will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and helping to address Hawaii’s pressing housing crisis.

Allowing partnerships and limited liability companies to further allocate, transfer, sell, or assign all or portions of their Low-Income Housing Tax Credits to other taxpayers will:

- Expand access to investment by a broader range of Hawaii-based businesses and individuals; and
- Increase the utility of the credit by bringing in investors who are best positioned to use the credits effectively, which will give low-income housing developers greater capacity to leverage the Low-Income Housing Tax Credit program. Non-profit entities are unable to use these credits. The sale of such credits to an investor makes available new funds to be invested in providing additional low-income housing for Hawaii's people.

Thank you for your time and consideration of ACLI's testimony in *support* of SB 944, SD2. We respectfully request that you pass this bill.

Sincerely,

Gordon M. Arakaki



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
Friday, March 14, 2025 AT 9:00 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 SB944 SD2 RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

The Maui Chamber of Commerce **SUPPORTS SB944 SD2** which authorizes a partner or member in a partnership or limited liability company that has been allocated a low-income housing tax credit to further allocate the credit or transfer, sell, or assign up to one hundred per cent of the tax credit, under certain conditions; and extends the sunset date for certain provisions of the Low-Income Housing Tax Credit for low-income buildings.

The Chamber applauds this bill for promoting policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawai'i's residents. Expanding low-income housing tax credits is a key strategy in addressing Hawai'i's housing crisis and attracting private investment. This bill amends HRS Section 235-110.8 to increase the flexibility of the low-income housing tax credit (LIHTC) program by allowing tax credits to be allocated, transferred, sold, or assigned more freely among taxpayers, including partnerships and limited liability companies. These changes make it easier for developers to secure funding, broaden investor participation, and accelerate the construction of affordable housing.

The bill also extends the LIHTC program's sunset date from December 31, 2027, to December 31, 2032, ensuring long-term support for affordable housing development. This extension provides financial stability for developers and maintains a steady pipeline of projects.

We fully support this bill, as it strengthens private investment, simplifies financing, and ensures program continuity, ultimately increasing affordable housing availability and expanding access for Hawai'i residents.

For these reasons we **SUPPORT SB944 SD2** 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.



**Testimony to the House Committee on Housing
Representative Luke A. Evslin, Chair
Representative Tyson K. Miyake, Vice Chair**

**Friday, March 14, at 9:00AM
Conference Room 430 & Videoconference**

RE: SB944 SD2 Relating to the Low-Income Housing Tax Credit

Aloha e Chair Evslin, Vice Chair Miyake, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 944 Senate Draft 2 (SB944 SD2), which authorizes a partner or member in a partnership or limited liability company that has been allocated a low-income housing tax credit to further allocate the credit or transfer, sell, or assign up to one hundred per cent of the tax credit, under certain conditions. Extends the sunset date for certain provisions of the Low-Income Housing Tax Credit for low-income buildings. Effective 7/1/2050. Applies to taxable years after 12/31/2025. Amendments to §235-110.8(b), HRS, shall sunset on 7/1/2030.

SB944 SD2 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

Hawaii faces a critical need to expand its stock of affordable housing and incentivize developments that serve low-income communities. This measure addresses that need by allowing greater flexibility in allocating and transferring state low-income housing tax credits among partnerships and limited liability companies. It also extends the sunset date for these credits from 2027 to 2032, offering developers a more predictable environment to secure financing and plan long-term projects that benefit Hawaii residents in need of affordable housing.

By enhancing the usability of these credits and prolonging their availability, the legislation encourages broader participation from private investors and strengthens the overall effort to create cost-effective housing solutions. The Chamber supports this measure because it provides crucial tools to stimulate affordable housing development, meets the urgent demand for low-cost rentals, and brings much-needed stability and opportunity to Hawaii's housing market.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 944 Senate Draft 2. Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME; Allow Allocation, Transfer, Sale, or Assignment of Low-Income Housing Credit

BILL NUMBER: SB 944 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Authorizes a partner or member in a partnership or limited liability company that has been allocated a low-income housing tax credit to further allocate the credit or transfer, sell, or assign up to one hundred per cent of the tax credit, under certain conditions. Extends the sunset date for certain provisions of the Low-Income Housing Tax Credit for low-income buildings.

SYNOPSIS: Amends section 235-110.8, HRS, to provide that a partner or member that is a partnership or limited liability company that has been allocated a credit may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer, whether or not the taxpayer owns a direct or indirect interest in the qualified low-income building; provided that, for any tax year in which the credit is transferred, sold, or assigned, the transferee shall have received the transfer or assignment of the tax credit before the date the tax return, or amended return, claiming the tax credit is filed, and the transferor shall notify the department of taxation of the transfer, sale, or assignment at least thirty days before the transferee claims the tax credits. The notification shall be in the manner prescribed by the department of taxation.

EFFECTIVE DATE: July 1, 2050; shall apply to taxable years beginning after December 31, 2025. Amendments to §235-110.8 (b), HRS, shall sunset on 7/1/2030.

STAFF COMMENTS: The intent here appears to be to allow monetization of the low-income housing credit by allowing it to be transferred.

The proviso that the transferee “shall have received the transfer or assignment of the tax credit before the date the tax return, or amended return, claiming the tax credit is filed” appears to be pointless as now worded. If the intent was to require the transfers to take place before a certain date, such as the unextended due date of the income tax return for the year, that should be stated instead. The current language appears to allow the transfer up until three years following the date of the transferee’s tax return, which is normally the date by which any amendment of the return must be filed.

Digested: 3/12/2025



March 14, 2025

LATE

Representative Luke Evslin, Chair
Representative Tyson Miyake, Vice Chair
Committee on Housing

RE: **SB 944 SD2 - Relating to Historic Preservation**
Hearing date: March 14, 2025 at 9:00 AM

Aloha Chair Evslin, Vice Chair Miyake and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **STRONG SUPPORT of SB 944 RELATING TO THE LOW-INCOME HOUSING TAX CREDIT**. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB 944 authorizes a partner or member in a partnership or limited liability company that has been allocated a low-income housing tax credit to further allocate the credit or transfer, sell, or assign up to one hundred per cent of the tax credit, under certain conditions. Extends the sunset date for certain provisions of the Low-Income Housing Tax Credit for low-income buildings.

NAIOP supports SB 944 which proposes essential changes to the State Low-Income Housing Tax Credit (LIHTC) program. This measure will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and addressing Hawaii's pressing housing crisis.

Our members have firsthand experience in the challenges and opportunities of affordable housing developments and understand how vital innovative financing mechanisms are to making these developments feasible. By allowing partnerships and limited liability companies (LLCs) to further allocate, transfer, sell, or assign all or portions of their LIHTCs to other taxpayers, SB 944 will:

1. **Expand Access to Investment:** This flexibility will enable a broader range of Hawaii-based businesses and individuals with state income tax liabilities to invest in affordable housing projects, fostering a more inclusive and diversified investor base.
2. **Increase the Utility of the Credit:** Developers will have greater capacity to leverage the LIHTC program by engaging with investors who are best positioned to utilize the credits effectively, ensuring projects receive the necessary funding.

3. Enhance Affordable Housing Development: By optimizing the value of State LIHTCs, these bills will help accelerate the development of affordable housing projects, directly benefiting residents who are in critical need of stable, affordable homes.

Moreover, the proposed extension of the sunset date for the State LIHTC from 2027 to 2032 provides a much-needed runway to maintain momentum in affordable housing initiatives. Long-term certainty is critical for planning and executing large-scale developments, and this extension will ensure continuity and stability in Hawaii's affordable housing efforts.

Affordable housing is a cornerstone of a thriving and equitable community. By advancing SB 944, the Legislature will help create meaningful opportunities for private-sector investment and public benefit, addressing the housing shortage and easing the financial burden on many families across our state.

Thank you for your leadership and dedication to solving Hawaii's housing challenges. I urge your committees to advance SB 944 and encourage your colleagues to support these critical measures. NAIOP Hawaii appreciates the Legislature's commitment to creating affordable housing for Hawaii residents and we look forward to working together. Thank you for the opportunity to provide testimony.

Mahalo for your consideration,



Reyn Tanaka, President
NAIOP Hawaii



Subject: Support for Senate Bill 944 (SB944 SD2)

Dear Chair Evslin and Members of the Committee,

I am writing to express my strong support for Senate Bill 944 (SB944 SD2), which proposes essential changes to the State Low-Income Housing Tax Credit (LIHTC) program. These measures will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and addressing Hawaii's pressing housing crisis. I would suggest the committee consider adding back the provisions that were listed in HB949 SD1 to preserve past decisions made on the structure of the program. With the exception of the changes made on line 12 and 13 of HB949 SD1 below as this references section 4 of act 226 and not the current bill:

*12 2016, [a~8] as amended by section 2 of this Act[--], as amended
13 by section 2 of Act , Session Laws of Hawaii 2025."*

See a summary of the changes below:

The credit program does not have a sunset, but the 5-year credit period (originally enacted pursuant to Act 129) does have a sunset, and that sunset has been extended pursuant to Act 226 (and will be as a result of this bill). Act 129's sunset provision says that as of the sunset date, the statute will be reenacted "in the form in which it read on the day prior to the effective date" of Act 129 (with the 10 year credit at 50% of the federal credit amount). Since Act 226 contained several changes in addition to the extension of the sunset date (e.g. clarified allocation rules and other tax changes) and SB 944 SD2 also includes changes in addition to the extension of the sunset date (i.e. the transfer provisions), I am asking the committee to ensure all of those changes are not wiped out if at some point the sunset date for the 5-year credit period is not extended.

Additional benefits of the bill include but are not limited to the following:

By allowing partnerships and limited liability companies (LLCs) to further allocate, transfer, sell, or assign all or portions of their LIHTCs to other taxpayers, SB944 SD2 will:

1. **Expand Access to Investment:** This flexibility will enable a broader range of Hawaii-based businesses and individuals with state income tax liabilities to invest in affordable housing projects, fostering a more inclusive and diversified investor base.



2. **Enhance Affordable Housing Development:** By optimizing the value of State HTC's, these bills will help accelerate the development of affordable housing projects, directly benefiting residents who are in critical need of stable, affordable homes.

Affordable housing is a cornerstone of a thriving and equitable community. By advancing SB944 SD2, the Legislature will help create meaningful opportunities for private-sector investment and public benefit, addressing the housing shortage and easing the financial burden on many families across Hawaii.

Thank you for your leadership and dedication to solving Hawaii's housing challenges. I urge your committees to advance SB944 SD2 and encourage your colleagues to support these critical measures.

Please feel free to contact me at 912-614-8419 or tlowmon@sugarcreekcapital.com if I can provide additional information or assistance.

Sincerely,

Tommy Lowmon

Tommy Lowmon
Director of Housing Policy

Sugar Creek Capital