

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 286, H.D. 2, Relating to the Individual Housing Account Program.

BEFORE THE:

Senate Committee on Housing

DATE: Thursday, March 13, 2025

TIME: 1:25 p.m.

LOCATION: State Capitol, Room 225

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

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 286, H.D. 2, for your consideration.

Section 2 of H.B. 286, H.D. 2, amends section 235-5.5, Hawaii Revised Statutes (HRS), to increase the allowable annual deduction for contributions to an individual housing account for the purchase of a first principal residence, to unspecified amounts. The deduction is currently \$5,000 for individuals and \$10,000 for joint filers. In addition, the bill amends the total allowable contributions per individual across all taxable years, which is presently capped at \$25,000.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an individual housing account.

The measure has a defective effective of July 1, 3000, and applies to taxable years beginning after December 31, 2025.

DOTAX can implement changes to the deduction amounts for taxable years beginning after December 31, 2025.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Increase Benefits for Individual Housing Accounts

BILL NUMBER: HB 286 HD 2

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Updates the Individual Housing Account statute to reflect the current cost of housing down-payments more accurately.

SYNOPSIS: Amends section 235-5.5, HRS, to provide that the maximum deduction from gross income for contributions made to an individual housing account changes from \$5,000 single and \$10,000 joint to \$[unspecified] single and \$[unspecified] joint per taxable year, to a maximum aggregate lifetime deduction of \$[unspecified] per individual, from \$25,000.

Repeals obsolete language.

Amends section 235-5.5(g), HRS, from “An individual shall not be considered to be totally disabled unless proof is furnished of the total disability in the form and manner as the director may require” to strike all words after “disability.”

EFFECTIVE DATE: July 1, 3000, applies to taxable years beginning after December 31, 2025.

STAFF COMMENTS: Individual housing accounts were established by Act 285, SLH 1982. They were intended to operate like individual retirement accounts but used for a housing purchase rather than retirement security.

There is no similar provision at the federal level, so the interest in these accounts has been quite limited. In the Department of Taxation’s 2002 report “Hawaii Income Patterns – Individuals,” it is reported that 83 tax returns took advantage of the IHA deduction, with an average of around \$4,500 taken per tax return. That appears to be last year in which IHA statistics were reported separately.

The idea of reviving IHA accounts does merit discussion, given that federal tax benefits of home ownership were significantly curtailed in the 2017 Tax Cuts and Jobs Act. Specifically, the mortgage interest deduction was limited to the interest on no more than \$750,000 of home acquisition debt, and interest on home equity loans (not used for acquisition) was made entirely nondeductible.

Digested: 3/11/2025



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
Thursday, March 13, 2025, 1:25 P.M.**

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

SUPPORT HB286 HD2 RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB286 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 HB286 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.

HB-286-HD-2

Submitted on: 3/11/2025 8:48:37 AM

Testimony for HOU on 3/13/2025 1:25:00 PM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I strongly support this Bill and urge the committee to vote YES.

HB-286-HD-2

Submitted on: 3/11/2025 12:48:56 PM

Testimony for HOU on 3/13/2025 1:25:00 PM

Submitted By	Organization	Testifier Position	Testify
Judy Ilar	Individual	Support	Written Testimony Only

Comments:

Aloha,

This is a very intelligent and practical bill. This will allow people to develop the discipline to save towards their home down payment.

We need more bills like this that doesn't cost taxpayers a dime but to empower the people of Hawaii to save for their dream of home ownership.

Mahalo,

Judy

HB-286-HD-2

Submitted on: 3/11/2025 2:27:33 PM

Testimony for HOU on 3/13/2025 1:25:00 PM

Submitted By	Organization	Testifier Position	Testify
Louella Vidinha	Individual	Support	Written Testimony Only

Comments:

I support this bill for first time home buyers to gain an advantage during this very difficult economy .

Louella Vidinha

Hawaii resident

HB-286-HD-2

Submitted on: 3/11/2025 2:50:58 PM

Testimony for HOU on 3/13/2025 1:25:00 PM

Submitted By	Organization	Testifier Position	Testify
Chanara Caey Richmond	Individual	Support	Written Testimony Only

Comments:

I support HB286. Chanara Richmond HD42

HB-286-HD-2

Submitted on: 3/12/2025 8:09:59 AM

Testimony for HOU on 3/13/2025 1:25:00 PM

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

Comments:

A good way to empower people to buy a home and stay in Hawaii. Mahalo!

LATE

HB-286-HD-2

Submitted on: 3/12/2025 8:26:00 PM

Testimony for HOU on 3/13/2025 1:25:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

I am glad to see this bill continue to work its way through the legislative process. Lack of affordable housing is a crushing burden on our working- and middle-class families. These *extreme* financial burdens are driving so many bright and young people away. We're driving away present and future generations. I believe this bill will provide relief and move us in the right policy direction.

I strongly urge this Committee to SUPPORT this bill moving forward!

LATE

HB-286-HD-2

Submitted on: 3/13/2025 12:08:47 AM

Testimony for HOU on 3/13/2025 1:25:00 PM

Submitted By	Organization	Testifier Position	Testify
Susan wadas	Individual	Oppose	Written Testimony Only

Comments:

Please do not pass this bill. It is government overreach to get involved in this.

Thank you,

Susan Wadas