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GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



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**DEPARTMENT OF TAXATION**

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 286, H.D. 2, S.D. 1, Relating to the Individual Housing Account Program.

**BEFORE THE:**

Senate Committee on Ways and Means

**DATE:** Wednesday, April 2, 2025

**TIME:** 10:01 a.m.

**LOCATION:** State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 286, H.D. 2, S.D. 1, for your consideration.

Section 2 of H.B. 286, H.D. 2, S.D. 1, 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The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an individual housing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, 2050, 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 SD 1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Updates the Individual Housing Account statute to reflect the current cost of housing down-payments more accurately. For taxable years, beginning 1/1/2026, increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts.

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, 2050, 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: 3/29/2025

**HB-286-SD-1**

Submitted on: 3/28/2025 10:26:46 AM

Testimony for WAM on 4/2/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Louella Vidinha	Individual	Support	Written Testimony Only

Comments:

I'm in full support of this bill.

It's very difficult new home owners.

Thank you,

Louella Vidinha Hawaii resident

**HB-286-SD-1**

Submitted on: 3/28/2025 3:06:21 PM

Testimony for WAM on 4/2/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

I support this bill.

**HB-286-SD-1**

Submitted on: 3/31/2025 6:57:35 AM

Testimony for WAM on 4/2/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

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

**HB-286-SD-1**

Submitted on: 3/30/2025 12:11:00 AM

Testimony for WAM on 4/2/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Sylvie Madison	Individual	Support	Written Testimony Only

Comments:

I support Bill HB286 to amend the Individual Housing Account (IHA) program by increasing the annual and lifetime contribution limits.

HB286 does not create new spending or programs. It updates an existing mechanism to promote savings and reduce financial barriers to homeownership.

For these reasons, this bill should be passed.

Thank you for the opportunity to submit testimony.  
Sylvie Madison  
Kona

**HB-286-SD-1**

Submitted on: 3/30/2025 1:20:21 PM

Testimony for WAM on 4/2/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Chanara Casey Richmond	Individual	Support	Written Testimony Only

Comments:

I support HB286. Chanara Richmond HD42

**HB-286-SD-1**

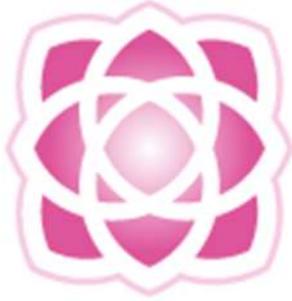
Submitted on: 3/31/2025 3:16:19 PM

Testimony for WAM on 4/2/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

A great way to help local families buy a house and stay in state. Mahalo!



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
Wednesday, April 2, 2025 AT 10:01 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair  
The Honorable Senator Sharon Y. Moriwaki, Vice Chair  
Members of the committee on Ways and Means

**SUPPORT HB286 HD2 SD1 RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM**

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB286 HD2 SD1**.

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 SD1**.

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.