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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

February 07, 2025 at 10:15 a.m.
State Capitol, Room 423

In consideration of
H.B. 949 HD1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chair Ilagan, Vice Chair Hussey, and members of the Committee.

HHFDC **supports** HB 949 HD1, which clarifies that a partner or member that is a partnership or limited liability company that has been allocated a low-income housing tax credit (LIHTC) may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer. It also extends the sunset date of Act 129, Session Laws of Hawaii 2016, relating to LIHTC, from 12/31/2027 to 12/31/2032.

By expanding the pool of investors for State tax credits, this bill enhances 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
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 949, H.D.1, Relating to the Low-Income Housing Tax Credit.

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Friday, February 7, 2025

TIME: 10:15 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 949, H.D. 1, for your consideration.

Section 1 of H.B. 949, H.D. 1, 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) provided proper notification is made in a manner to be determined by DOTAX.

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.

Section 3 of the bill amends Act 226, Session Laws of Hawaii 2021, to reiterate that amendments made under that Act to section 235-110.8 shall not be repealed upon reenactment on December 31, 2032 (the date as amended in Section 2 as noted above).

This measure has a defective effective date of July 1, 3000, and shall apply to taxable years beginning after December 31, 2024; provided that the amendments made under section 235-110.8(b) shall not be repealed on December 31, 2032.

DOTAX appreciates that the Committee on Housing adopted DOTAX's proposed amendments to section 235-110.8(b) by specifying a deadline for taxpayers to report a transfer, sale, or assignment. DOTAX requests that additional amendments be made to the timeframe to assist with administration of the credit, starting on page 2, line 1, as follows:

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 pursuant to this subsection, the transferee must have received the transfer or assignment of the tax credit prior to the date a 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 prior to the transferee claiming the tax credits. The notification shall be in the manner prescribed by the department. ~~by the twentieth day of the first month following the end of the taxable year for which the credit may be claimed.~~

Given the complex nature of the proposed credit transfer provision, if the bill passes, DOTAX requests that the effective date of the bill be amended to taxable years beginning after December 31, 2025, to provide sufficient time to make the necessary form, instruction, and computer system changes, and provide taxpayer guidance on the changes.

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

**Testimony to the House Committee on Economic Development & Technology (ECD)
Representative Greggor Ilagan, Chair
Representative Ikaika Hussey, Vice Chair**

**Friday, February 7, 2025, at 10:15AM
Conference Room 325 & Videoconference**

RE: HB949 HD1 Relating to the Low-Income Housing Tax Credit

Aloha e Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports House Bill 949 HD1 (HB949 HD1), which establishes a public policy framework that addresses state goals related to economic diversification and appropriates funds to the Hawaii Technology and Development Corporation to implement specific programs that address these goals.

HB949 HD1 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.

Expanding affordable housing is critical to addressing Hawaii's ongoing housing crisis. This bill extends the Low-Income Housing Tax Credit (LIHTC) program until 2032 and improves the flexibility of credit allocation, allowing partnerships and LLCs to distribute or transfer credits more efficiently. By making the credit more accessible to investors, the bill encourages greater private sector participation in affordable housing projects, increasing the financial feasibility of new developments.

Extending and enhancing LIHTC will help accelerate affordable housing construction, easing the financial burden on developers and increasing the supply of housing for low-income residents. By incentivizing investment, this measure supports long-term housing stability and economic growth. The Chamber supports this bill as a vital tool for increasing affordable housing opportunities and fostering a sustainable housing market in Hawaii.

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 House Bill 949 HD1. Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

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SUBJECT: NET INCOME, Allow Allocations of Low-Income Housing Tax Credit

BILL NUMBER: HB 949 HD 1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Clarifies that a partner or member that is a partnership or limited liability company that has been allocated a low-income housing tax credit may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer. Extends the sunset date of Act 129, Session Laws of Hawai'i 2016, relating to the low-income housing tax credit, from 12/31/2027 to 12/31/2032.

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 pursuant to this subsection, the transferor shall notify the department of taxation of the transfer, sale, or assignment by the twentieth day of the first month following the end of the taxable year for which the credit may be claimed.

EFFECTIVE DATE: July 1, 3000, and shall apply to taxable years beginning after December 31, 2024 provided that amendments made in Section 1 of this Act shall not be repealed when that section is reenacted on December 31, 2032.

STAFF COMMENTS: We note that in section 235-110.8(b), as it is proposed to be amended, the word "taxpayer" as used in the first paragraph does not seem to have the same meaning as the word "taxpayer" as used in the second paragraph (a buyer or transferee of the "taxpayer" mentioned in the first paragraph). To prevent confusion, the amendment should be redrafted to replace the word "taxpayer" with "person":

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 **person**, whether or not the **person** 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 pursuant to this subsection, the transferor shall notify the department of taxation of the transfer, sale, or assignment by the twentieth day of the

Re: HB 949 HD1

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first month following the end of the taxable year for which the credit may be claimed.

Note that the word “person” is defined in section 235-1, HRS, to include an individual, a trust, estate, partnership, association, company, or corporation.

Digested: 2/5/2025