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**DEPARTMENT OF TAXATION**

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 24, Relating to Limited-Profit Housing Associations.

**BEFORE THE:**

Senate Committees on Commerce and Consumer Protection and Housing

**DATE:** Wednesday, January 29, 2025

**TIME:** 9:40 a.m.

**LOCATION:** State Capitol, Room 229

Chairs Keohokalole and Chang, Vice-Chairs Fukunaga and Hashimoto, and Members of the Committees:

The Department of Taxation ("DOTAX") respectfully offers the following comments regarding S.B. 24 for your consideration.

Sections 1 and 2 of S.B. 24 establish an organizational and regulatory framework for the creation and operation of limited-profit housing associations, which are intended to primarily construct, rehabilitate, and manage affordable housing.

Section 3 of S.B. 24 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing an exemption from the Hawaii income tax for income earned from a limited-profit housing association, so long as that income is used for its primary business activities and can verify that the income has been "properly utilized in five years for the primary businesses activities of the association."

Section 5 of the bill also amends the conveyance tax in Chapter 247, HRS, to exempt any conveyance to or by a limited-profit housing association.

DOTAX requests that a third-party certification by the proposed limited-profit housing council be maintained, as it would streamline DOTAX's oversight of the proposed exemptions to the income and conveyance taxes.

The bill takes effect upon approval, provided that the relevant tax provisions mentioned above take effect on January 1, 2026, with the income tax exemption applying to all taxable years beginning after December 31, 2025. DOTAX requests that these effective dates be maintained to allow for the necessary form, instruction, and system changes needed for implementation of the tax-related sections.

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

**LATE**

**SB-24**

Submitted on: 1/28/2025 3:34:08 PM  
Testimony for HOU on 1/29/2025 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Galen Fox	Individual	Support	Written Testimony Only

Comments:

Chairs Keohokalole, Chang; VCs Fukunaga, Hashimoto; members:

In support of SB24. This bill creates a Council to oversee Limited Profit Housing Associations, tax-exempt organs providing long-term affordable housing to the state. The Associations will be able to construct, rehabilitate, and manage needed housing, building competitively-priced housing at cost, and plowing their limited profits back into future housing.

Vienna has relied on competitive, limited-profit corporations to build out the city’s high-quality apartment complexes. The city houses 60% of its population in subsidized units, including middle-class families and young professionals. And Vienna builds its units working under construction union wage scales comparable to those in the U.S. Hawaii will benefit from government overseeing the success of these limited profit associations, helped by the Council established through SB24. Mahalo.

Aloha, Galen Fox