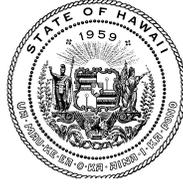


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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 826, Relating to the Low-Income Housing Tax Credit.

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 19, 2025

TIME: 10:02 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 S.B. 826 for your consideration.

S.B. 826 amends section 235-110.8, Hawaii Revised Statutes (HRS), to clarify that the School Facilities Authority as defined under HRS Chapter 302A, part VI, subpart C, is not eligible as a housing developer for the Low-Income Housing Tax Credit.

The measure would take effect upon its approval.

DOTAX will be able to implement the bill by the current effective date. Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

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LATE

SUBJECT: NET INCOME; Low Income Housing Tax Credit

BILL NUMBER: SB 826

INTRODUCED BY: HASHIMOTO

EXECUTIVE SUMMARY: Clarifies housing developers that are eligible for the Low Income Housing Tax Credit.

SYNOPSIS: Amends section 235-110.8(b), HRS, by adding the language, “provided that this section shall not apply to chapter 302A, part VI, subpart C.”

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: We do not understand the bill as written. Chapter 302A, part VI, subchapter C, HRS, governs the School Facilities Authority under the Department of Education. In its testimony, the Department of Taxation interpreted the bill as clarifying that the School Facilities Authority is not eligible as a housing developer for purposes of the credit.

The low income housing tax credit program subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low and moderate income tenants. The federal government issues tax credits to state governments and the State housing agencies that award the credits to private developers of affordable rental housing projects through a competitive process. The Hawaii tax credit program largely mirrors the federal program, and the Hawaii Housing Finance and Development Corporation (HHFDC) abides by federal regulations that govern the award of tax credits to developers. We understand that the federal guidelines do not include the development of schools as an allowable use of funds for tax credit allocation.

We think the bill should be clarified. If the Department of Taxation’s interpretation is correct, there are many simpler ways to word the proviso, but the better course would be not to pass the bill at all because it is not necessary. If the Department of Taxation’s interpretation is not correct, the proviso should be reworded to explain what it means.

Digested: 2/18/2025