

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii
Sir:

Your Committee on Housing, to which was referred H.B. No. 2261 entitled:

"A BILL FOR AN ACT RELATING TO AFFORDABLE HOUSING,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Make permanent the Low-Income Housing Tax Credit Program (Tax Credit Program), which would have been repealed on December 31, 2021; and
- (2) Delete the five-year accelerated period for claiming tax credits under the Tax Credit Program.

Your Committee received testimony in support of this measure from the Hawaiian Community Development Board; Kobayashi Group, LLC; and three individuals. Your Committee received comments on this measure from the Hawaii Housing Finance and Development Corporation, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that Hawaii is experiencing a severe housing crisis with a lack of affordable rental and for-sale units. According to the 2018 Affordable Rental Housing Report and Ten-Year Plan, an additional 64,693 housing units are needed by 2025 with nearly seventy percent of those units for low-income households. Your Committee further finds that the Tax Credit Program should contribute to achieving the goal established by the Legislature in 2016 of developing 22,500 affordable rental units by 2026.

However, your Committee believes that the Tax Credit Program should be extended, rather than made permanent, to allow time to study the effectiveness of the Tax Credit Program, since projects awarded tax credits after the implementation of changes made to the Tax Credit Program in 2016 are only now approaching completion.

Your Committee has amended this measure by:

- (1) Reinstating the five-year accelerated period for claiming tax credits under the Tax Credit Program;
- (2) Extending the Tax Credit Program for an additional six years to December 31, 2027;
- (3) Making it apply to taxable years beginning after December 31, 2020; and
- (4) Changing its effective date to July 1, 2025, to encourage further discussion.

By extending the Tax Credit Program for another six years, it is not the intent of your Committee to retroactively expand the Tax Credit Program to provide a benefit to taxpayers that have already generated credits. Your Committee further finds that the retroactive expansion of the Tax Credit Program will not stimulate low-income housing since those taxpayers have already engaged in the activity the Tax Credit Program promotes.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2261, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2261, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Housing,

TOM BROWER, Chair