

STAND. COM. REP. NO.

2144

Honolulu, Hawaii

FEB 14 2012

RE: S.B. No. 2112

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2112 entitled:

"A BILL FOR AN ACT RELATING TO LEASEHOLD CONVERSION,"

begs leave to report as follows:

The purpose and intent of this measure is to extend to January 1, 2018, the sunset date of Act 166, Session Laws of Hawaii 2007 (Act 166), thereby extending the exemption from taxation of capital gains realized from the sale of a leased fee interest in condominium units to associations of apartment owners or residential cooperative corporations.

Your Committee received testimony in support of this measure from Hawai'i Association of REALTORS, Hawaii Council of Associations of Apartment Owners, and Monarch Properties, Inc. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that there have been eighteen condominium association and cooperative housing corporation purchases since the tax exemptions under Act 166, became available. Testimony received by your Committee indicates that these sales involved 1,482 units and approximately \$107,000,000 in sale proceeds that would have been taxable without the exemptions provided by Act 166.

Your Committee further finds that extending the sunset date of Act 166 will incentivize landowners to sell their multi-family residential leased fee interests. Fee sales provide permanent fee

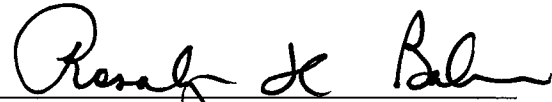
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simple ownership for many residential lessees and benefit the State by providing valuable state income tax and conveyance tax revenue.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2112 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,

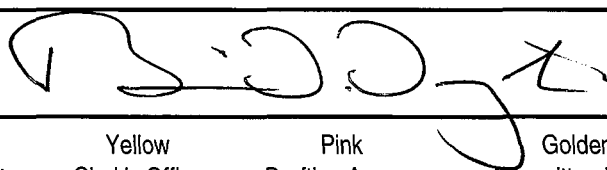


ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB 2112</b>	Committee Referral: <b>CPN, WAM</b>	Date: <b>2-9-12</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood				✓
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama				✓
SLOM, Sam	✓			
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes