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# A BILL FOR AN ACT

RELATING TO HOUSING AFFORDABILITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. The legislature finds that affordable housing  
3 is a serious concern for many Hawaii residents. As the  
4 population of the State continues to grow, the State must  
5 develop innovative means of ensuring that residents are able to  
6 find and pay for housing.

7 The legislature also finds that amendments to the state tax  
8 code could be used to assist low-income wage earners in  
9 affording housing without significant negative impact on the  
10 State's fiscal status. First, increasing the existing  
11 refundable income tax credit for low-income household renters  
12 and converting the state earned income tax credit into a  
13 refundable tax credit could provide low- to moderate-income  
14 working families with immediate access to additional funds that  
15 may be used to help pay their rent. Also, the distribution of  
16 conveyance tax revenues could be amended to provide a dedicated



1 source of funding for the rental assistance revolving fund to  
2 provide assistance to low-income residents.

3 The purpose of this Act is to:

4 (1) Allocate a portion of the conveyance tax revenues to  
5 the rental assistance revolving fund to be used to  
6 subsidize rents for persons who meet certain income  
7 requirements;

8 (2) Increase the income tax credit for low-income  
9 household renters to an unspecified amount; and

10 (3) Convert the state earned income tax credit into a  
11 refundable tax credit and change the amount of the  
12 credit to an unspecified percentage of the federal  
13 earned income tax credit.

14 PART II

15 SECTION 2. Section 201H-123, Hawaii Revised Statutes, is  
16 amended by amending subsections (b) and (c) to read as follows:

17 "(b) The rental assistance revolving fund may include sums  
18 made available from any government program or grant, from  
19 private grants or contributions, from the proceeds of any bond  
20 issue, conveyance tax revenues pursuant to section 247-7(3), or  
21 from appropriations to the fund. The aggregate principal in the



1 fund shall be invested by the corporation in a manner that [~~will~~  
2 ~~maximize~~] maximizes the rate of return on investment of the  
3 fund; provided that any investment made shall be consistent with  
4 section 201H-77 but need not comply with section 36-21.

5 (c) The corporation may use, as needed, the aggregate  
6 principal sum and the accumulated earnings in the rental  
7 assistance revolving fund to make payments under rental  
8 assistance contracts or to subsidize tenants' rents in eligible  
9 projects developed under this part; provided that [~~the~~]:

10 (1) The corporation shall use up to \$25,000,000 plus any  
11 bond proceeds to provide interim construction  
12 financing to:

13 [~~(1)~~] (A) Qualified sponsors who are private nonprofit  
14 or for-profit entities; or

15 [~~(2)~~] (B) The corporation, for the development of  
16 affordable rental housing;

17 (2) [~~provided further that the~~] The corporation, in  
18 allotting interim construction financing moneys  
19 pursuant to this subpart, shall give preference to  
20 rental housing projects developed by qualified



1 sponsors who are private nonprofit or for-profit  
 2 entities[-]; and  
 3 (3) Conveyance tax revenues deposited into the rental  
 4 assistance revolving fund pursuant to section 247-7(3)  
 5 shall only be used to subsidize rents for individuals  
 6 or families whose income does not exceed thirty per  
 7 cent of the area median income as determined by the  
 8 United States Department of Housing and Urban  
 9 Development."

10 SECTION 3. Section 247-7, Hawaii Revised Statutes, is  
 11 amended to read as follows:

12 "§247-7 **Disposition of taxes.** All taxes collected under  
 13 this chapter shall be paid into the state treasury to the credit  
 14 of the general fund of the State, to be used and expended for  
 15 the purposes for which the general fund was created and exists  
 16 by law; provided that of the taxes collected each fiscal year:

- 17 (1) Ten per cent or \$6,800,000, whichever is less, shall
- 18 be paid into the land conservation fund established
- 19 pursuant to section 173A-5; [and]



1 (2) Fifty per cent or \$38,000,000, whichever is less,  
2 shall be paid into the rental housing revolving fund  
3 established by section 201H-202[~~-~~]; and

4 (3) \_\_\_\_\_ per cent or \_\_\_\_\_, whichever is less, shall be  
5 paid into the rental assistance revolving fund  
6 established by section 201H-123."

7 PART III

8 SECTION 4. Section 235-55.7, Hawaii Revised Statutes, is  
9 amended by amending subsection (c) to read as follows:

10 "(c) Each taxpayer with an adjusted gross income of less  
11 than \$30,000 who has paid more than \$1,000 in rent during the  
12 taxable year for which the credit is claimed may claim a tax  
13 credit of [~~\$50~~] \$ \_\_\_\_\_ multiplied by the number of qualified  
14 exemptions to which the taxpayer is entitled; provided each  
15 taxpayer sixty-five years of age or over may claim double the  
16 tax credit; and provided that a resident individual who has no  
17 income or no income taxable under this chapter may also claim  
18 the tax credit as set forth in this section."



## 1 PART IV

2 SECTION 5. Section 235-55.75, Hawaii Revised Statutes, is  
3 amended as follows:

4 1. By amending subsection (a) to read:

5 "(a) Each qualifying individual taxpayer may claim a  
6 ~~[nonrefundable]~~ refundable earned income tax credit. The tax  
7 credit, for the appropriate taxable year, shall be ~~[twenty]~~  
8 \_\_\_\_\_ per cent of the federal earned income tax credit allowed  
9 and properly claimed under section 32 of the Internal Revenue  
10 Code and reported as such on the individual's federal income tax  
11 return."

12 2. By amending subsection (d) to read:

13 "(d) The credit allowed under this section shall be  
14 claimed against the net income tax liability for the taxable  
15 year. If the tax credit under this section exceeds the  
16 taxpayer's income tax liability, the excess of the tax credit  
17 over liability ~~[may be used as a credit against the taxpayer's  
18 net income tax liability in subsequent years until exhausted.]~~  
19 shall be refunded to the taxpayer; provided that the tax credit  
20 claimed by a taxpayer who has no income tax liability shall be  
21 paid to the taxpayer; and provided that no refunds or payment on



1 account of the tax credit allowed by this section shall be made  
2 for amounts less than \$1. All claims, including amended claims,  
3 for a tax credit under this section shall be filed on or before  
4 the end of the twelfth month following the close of the taxable  
5 year for which the credit may be claimed. Failure to comply  
6 with the foregoing provision shall constitute a waiver of the  
7 right to claim the credit."

8 PART V

9 SECTION 6. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 7. This Act shall take effect on January 1, 2050;  
12 provided that:

- 13 (1) Part II shall take effect on January 1, 2050; and  
14 (2) Parts III and IV shall apply to taxable years  
15 beginning after December 31, 2017.



**Report Title:**

Conveyance Tax; Rental Assistance Revolving Fund; Earned Income Tax Credit; Income Tax Credit for Low-Income Household Renters

**Description:**

(1) Allocates a portion of the conveyance tax revenues to the rental assistance revolving fund to be used to subsidize rents for persons who meet certain income requirements; (2) Increases the income tax credit for low-income household renters to an unspecified amount; and (3) Makes the state earned income tax credit refundable and changes the amount of the credit to an unspecified percentage of the federal earned income tax credit.  
(HB2703 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

