

STAND. COM. REP. NO. 2056

Honolulu, Hawaii

FEB 08 2018

RE: S.B. No. 2402
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 2402 entitled:

"A BILL FOR AN ACT RELATING TO THE LOW-INCOME HOUSING TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to specify that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity loss do not apply with respect to claims for the state low-income housing tax credit.

Your Committee received testimony in support of this measure from InState Partners. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, and Tax Foundation of Hawaii.

Your Committee finds that under existing law, the state low-income housing tax credit is difficult to use for Hawaii taxpayers other than large corporations or financial institutions. As a result, this lowers the demand and equity that can be generated for each dollar of this tax credit that is issued.

Your Committee further finds that Act 129, Session Laws of Hawaii 2016, addressed an aspect of this issue by accelerating the low-income housing tax credit from ten to five years. This



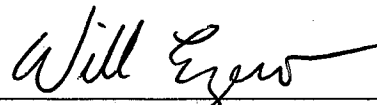
acceleration makes the tax credit available to smaller taxpayers who are better able to forecast their income tax liability over a five-year, rather than ten-year, span. This measure builds on the incentives provided under Act 129, Session Laws of Hawaii 2016, by eliminating the applicability of the at-risk and passive activity loss rules to the low-income housing tax credit. This will allow affordable rental housing developers to decouple the tax credit from an ownership share in affordable rental projects being financed, thereby allowing any Hawaii taxpayer with income tax liability to use the low-income housing tax credit.

Your Committee has amended this measure by:

- (1) Deleting its contents and inserting the contents of S.B. No. 2759 (Regular Session of 2018), a substantially similar measure, which also eliminates the applicability of the at-risk and passive activity loss rules to the low-income housing tax credit, but makes this elimination subject to repeal when section 235-110.8, Hawaii Revised Statutes, is reenacted on December 31, 2021, pursuant to section 4 of Act 129, Session Laws of Hawaii 2016; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B. No. 2402, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2402, S.D. 1, and be referred to your Committee on Ways and Means.

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

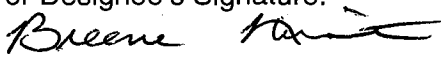


WILL ESPERO, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:* SB 2402	Committee Referral: HOU, WAM	Date: 1/30/18		
<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 type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
ESPERO, Will (C)	✓			
HARIMOTO, Breene (VC)	✓			
GREEN, Josh	✓			
KAHELE, Kaiali'i	✓			
NISHIHARA, Clarence K.				✓
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes