

STAND. COM. REP. NO.

481

Honolulu, Hawaii

FEB 19 , 2021

RE: H.B. No. 80
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 80
entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Clarify how the Low-Income Housing Tax Credit may be allocated among partners of a taxpayer;
- (2) Allow a taxpayer to claim the Low-Income Housing Tax Credit for the first year in certain situations if the taxpayer has not yet received Form 8609 from the Internal Revenue Service;
- (3) Specify the application of certain tax provisions with respect to low-income buildings or projects placed in service after December 31, 2019; and
- (4) Extending the sunset date of Act 129, Session Laws of Hawaii 2016, to December 31, 2027.

2021-1474 HB80 HD1 HSCR HMSO



Your Committee received testimony in support of this measure from Michaels Development - Hawai'i Region; Stanford Carr Development, Inc.; and one individual. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, Tax Foundation of Hawaii, Hunt Companies - Hawaii, Hunt Capital Partners LLC, and Sugar Creek Capital.

Your Committee finds that this measure supports efforts to maximize the value of the Low-Income Housing Tax Credit to make affordable rental housing developments more feasible to build. This measure also extends the sunset date of Act 129, Session Laws of Hawaii 2016, to December 31, 2027, which extends the applicable period for claiming the Low-Income Housing Tax Credit, thereby allowing more time for developers to generate more equity to finance affordable rental housing projects in the State.

Your Committee has amended this measure by:

- (1) Specifying that for state income tax purposes the Low-Income Housing Tax Credit may be allocated among individuals and entities deemed partners or members under applicable state law, regardless of whether the partner or member is deemed to be a partner or member for federal income tax purposes;
- (2) Amending the relaxation of the installment method, at-risk, and passive activity loss rules by:
 - (A) Making it apply to low-income buildings or projects placed into service after December 30, 2020;
 - (B) Specifying that deduction and expenses claimed by all State taxpayers on Hawaii income tax returns shall not exceed the deductions and expenses claimed by all taxpayers on federal returns; and
 - (C) Revoking the exemption from certain tax provisions if the building ceases to serve low-income households in accordance with federal and state low-income housing tax credit programs;
- (3) Changing the effective date to July 1, 2050, to encourage further discussion; and



- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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. 80, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 80, H.D. 1, and be referred to your Committee on Finance.

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


NADINE K. NAKAMURA, Chair



