

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 286, Relating to the Individual Housing Account.

BEFORE THE:

House Committee on Housing

DATE: Wednesday, January 29, 2025

TIME: 9:15 a.m.

LOCATION: State Capitol, Room 430

Chair Evslin, Vice-Chair Miyake, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 286 for your consideration.

Section 2 of H.B. 286 amends section 235-5.5, Hawaii Revised Statutes (HRS), to update the Individual Housing Account statute to increase the maximum annual deduction for contributions to an individual housing account to \$20,000 for individuals and \$40,000 for joint filers. The total amount of contributions allowable for an individual is increased to \$200,000.

The bill also repeals portions of sections of 235-5.5(f), HRS, applicable to purchases made prior to January 1, 1990 by persons with an individual housing account.

The measure is effective upon approval and applies to taxable years beginning after December 31, 2025. DOTAX can implement this bill as written. Thank you for the opportunity to provide comments on this measure.

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TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Increase Benefits for Individual Housing Accounts

BILL NUMBER: HB 286

INTRODUCED BY: MATSUMOTO, ALCOS, GARCIA, MURAOKA, PIERICK, REYES
ODA, SHIMIZU, WARD (House Minority Caucus Package)

EXECUTIVE SUMMARY: Updates the Individual Housing Account statute to reflect the current cost of housing down-payments more accurately.

SYNOPSIS: Amends section 235-5.5, HRS, to provide that the maximum deduction from gross income for contributions made to an individual housing account changes from \$5,000 single and \$10,000 joint to \$20,000 single and \$40,000 joint per taxable year, to a maximum aggregate lifetime deduction of \$200,000 per individual, up from \$25,000.. The amounts allowed to an individual.

Repeals obsolete language.

Provides that an individual shall not be considered to be totally disabled unless proof is furnished of the total disability as defined in §235-1.

EFFECTIVE DATE: Taxable years beginning after December 31, 2025.

STAFF COMMENTS: Individual housing accounts were established by Act 285, SLH 1982. They were intended to operate like individual retirement accounts but used for a housing purchase rather than retirement security.

There is no similar provision at the federal level, so the interest in these accounts has been quite limited. In the Department of Taxation's 2002 report "Hawaii Income Patterns – Individuals," it is reported that 83 tax returns took advantage of the IHA deduction, with an average of around \$4,500 taken per tax return. That appears to be last year in which IHA statistics were reported separately.

The idea of reviving IHA accounts does merit discussion, given that federal tax benefits of home ownership were significantly curtailed in the 2017 Tax Cuts and Jobs Act. Specifically, the mortgage interest deduction was limited to the interest on no more than \$750,000 of home acquisition debt, and interest on home equity loans (not used for acquisition) was made entirely nondeductible.

Digested: 1/28/2025



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
Wednesday, January 29, 2025 AT 9:15 A.M.**

To The Honorable Representative Luke A. Evslin, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Housing

SUPPORT HB286 RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB286**.

Housing is a top priority for the Maui Chamber of Commerce and continues to be so as the crisis escalates following the wildfires and it directly impacts businesses and our economic revitalization. Before the wildfires, we needed over 10,000 units by 2025, but that number has only increased as 3% of our housing was lost in Lahaina. This is one of the main factors in the ever-increasing pricing of housing.

The Chamber feels that increasing the amount an individual can contribute, annually, from \$5,000 to \$20,000 to their Individual Housing Account is warranted given today's housing prices. We also agree with increasing the lifetime maximum, that can be contributed, from \$25,000 to \$200,000 reflect the reality of the current housing price environment.

This proposal will assist those who choose to save for a down payment for purchasing their first home. The added fact that the contributions are an allowable deduction on their taxes will help the individual afford to contribute more to their account.

This is another excellent tool in the toolbox for housing and a bill that should be fast-tracked.

For these reasons, we **SUPPORT HB286**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

HB-286

Submitted on: 1/27/2025 2:21:05 PM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I STRONGLY SUPPORT this Bill. I urge all members of the Committee to **VOTE YES** on this Bill.

HB-286

Submitted on: 1/27/2025 3:20:05 PM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

In essence, [HB286](#) aims to better support first-time homebuyers in Hawaii by offering tax incentives for saving for homeownership, adjusting the contribution and deduction limits to align with current housing costs, and making the process more accessible and beneficial to individuals and couples trying to buy their first home.

HB-286

Submitted on: 1/27/2025 4:42:10 PM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Brett Kulbis	Individual	Support	Written Testimony Only

Comments:

Chair Evslin and Committee Members,

My name is Brett Kulbis, I'm a 26yr Navy Veteran and Retired Civil Servant. I live in Ewa Beach.

I SUPPORT HB-286.

The Individual Housing Account Program allows first-time homebuyers to deduct a specified amount from their gross income to save for and purchase a home. The woefully annual contribution limit is \$5,000 for individuals and \$10,000 for couples absolutely need to be increased.

Respectfully, I encourage you to vote YES on HB-286.

HB-286

Submitted on: 1/27/2025 9:18:20 PM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Tiare Smith	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am in strong support for HB286.

I support this bill, The Individual Housing Account Program, allowing first-time homebuyers gross income deductions to raise these limits to \$20,000 for individuals and \$40,000 for couples. Also for the lifetime maximum deduction limit to be raised from \$25,000 to \$200,000 in order to save for the purchase a home.

In essence, HB286 aims to better support first-time homebuyers in Hawaii by offering tax incentives for saving for homeownership, adjusting the contribution and deduction limits to align with current housing costs, and making the process more accessible and beneficial to individuals and couples trying to buy their first home.

Mahalo,

Tiare Smith

Email: Lahela79@yahoo.com

HB-286

Submitted on: 1/28/2025 4:45:09 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Alice Abellanida	Individual	Support	Written Testimony Only

Comments:

I support this bill. People need help purchasing a new home. This bill will help them.

HB-286

Submitted on: 1/28/2025 6:29:59 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Julia Poppen	Individual	Support	Written Testimony Only

Comments:

I am in strong support of [HB883](#) because it will require our state to better prepare for disasters. Failure to prepare is preparing to fail, and we must do all we can to make sure we are ready for the next severe weather event.

Shelters not only benefit the individuals they serve, but also contribute to the overall health and safety of our community. It is important to me and my family to have a publicly accessible list of shelters and information about the category hurricane they can withstand. It is also crucial we continue to expand our shelter supply and further fortify those we already have.

I thank the committee for hearing this bill and urge its passage by considering the profound impact a better funded and managed emergency shelter program can have on the lives of our most vulnerable citizens.

Respectfully submitted,

Julia Poppen

HB-286

Submitted on: 1/28/2025 6:43:24 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Marilyn Moniz	Individual	Support	Written Testimony Only

Comments:

Provides opportunity to secure housing.

HB-286

Submitted on: 1/28/2025 6:58:08 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Juliet Kim	Individual	Support	Written Testimony Only

Comments:

In support as Hawai'i homes crisis is very limited especially for first time home buyers! Families are struggling and desperately need financial support!

HB-286

Submitted on: 1/28/2025 8:08:37 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Donna P. Van Osdol	Individual	Support	Written Testimony Only

Comments:

HB286 is to offer tax incentives for saving for homeownership. It allows first-time homebuyers to deduct a specified amount from their gross income to save for and purchase a home. The bill proposes to raise the \$5,000 limit for individuals from \$5,000 to \$20,000 and from \$10,000 for couples to \$40,000.

As we know the purchase price for homes are exorbitant, so any help we can give our residents is a step in helping to keep our family and friends here in Hawaii.

I wholeheartedly support this bill! Thank you for allowing me to testify.

Donna Van Osdol

HB-286

Submitted on: 1/28/2025 8:23:22 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Mary Smart	Individual	Support	Written Testimony Only

Comments:

I stongly support HB286.

HB-286

Submitted on: 1/28/2025 8:56:22 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Anna Misako Hudson	Individual	Support	Written Testimony Only

Comments:

I am support of HB286 which will allow first-time homebuyers a pathway to become a homeowner.

HB-286

Submitted on: 1/28/2025 10:03:01 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
SUSAN MORRIS	Individual	Support	Written Testimony Only

Comments:

I am in support of HB286 for the purpose of helping the first time whome buyer. With te riseng cost of house prices I beleave that this bill should pass, I suport this bill

HB-286

Submitted on: 1/28/2025 10:07:54 AM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Donna Ambrose	Individual	Support	Written Testimony Only

Comments:

Aloha,

I write in support of HB286. Young people need all the help they can get to purchase their first home. Allowing them to set aside tax-exempt income toward a down payment helps them reach that goal. Housing prices have risen continuously since the original limits were set. The increases in this bill to \$20K for individuals and \$40K for couples better align with today's home prices. I urge the House to pass this bill.

Mahalo,

Donna Ambrose

HB-286

Submitted on: 1/28/2025 4:51:55 PM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
L Toriki	Individual	Support	Written Testimony Only

Comments:

I support this bill and any worthwhile effort to help young people purchase a home in their home State of Hawai'i

HB-286

Submitted on: 1/28/2025 11:31:19 PM

Testimony for HSG on 1/29/2025 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Adriel Lam	Individual	Support	Written Testimony Only

Comments:

I fully support the updating of the Individual Housing Account. Changes to the contribution limits are long overdue to reflect the state of the housing market. The current \$20,000 limit can barely cover closing cost on a home, let alone a deposit on a home. The proposed \$200,000 meets the need for our local Hawaii residents to at least save up for a deposit on a home.

Mahalo for your attention and support for this bill.

Aloha,

Adriel Lam

Kaneohe, HI