

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 949, Relating to the Low-Income Housing Tax Credit

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. 949 for your consideration.

Section 1 of H.B. 949 amends section 235-110.8(b), Hawaii Revised Statutes (HRS), to allow a partner, or member, of a partnership or limited liability company, that has been allocated a low-income housing tax credit (LIHTC), to further allocate a credit, or transfer, sell, or assign all or a portion of a credit to any taxpayer (regardless of whether the taxpayer has a direct or indirect interest in the subject property) provided proper notification is made in a manner to be determined by DOTAX.

Section 2 of the bill amends Act 129, Session Laws of Hawaii 2016, to extend its repeal and reenactment date from December 31, 2027, to December 31, 2032.

Section 3 of the bill amends Act 226, Session Laws of Hawaii 2021, to reiterate that amendments made under that Act to section 235-110.8 shall not be repealed upon reenactment on December 31, 2032 (the date as amended in Section 2 as noted above).

This measure is effective upon approval for taxable years beginning after December 31, 2024, provided that the amendments made under section 235-110.8(b) shall not be repealed on December 31, 2032.

DOTAX notes that the bill does not limit the timeframe for reporting sales or transfers of the low income housing tax credit. The lack of a reporting deadline risks taxpayers claiming the credit without DOTAX having notice of credit sales or transfers. DOTAX recommends page 2 lines 1-10 be amended to read as follows:

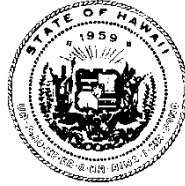
A partner or member that is a partnership or limited liability company that has been allocated a credit may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer, whether or not the taxpayer owns a direct or indirect interest in the qualified low-income building; provided that for any tax year in which the credit is transferred, sold, or assigned pursuant to this subsection, the transferor shall notify the department of taxation of the transfer, sale, or assignment by the twentieth day of the first month following the end of the taxable year for which the credit may be claimed.

Also, given the complex nature of the proposed credit transfer provision, DOTAX requests that the effective date of the bill be amended to taxable years beginning after December 31, 2025, to provide sufficient time to make the necessary form, instruction, and computer system changes, and provide taxpayer guidance on the changes.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

Statement of **DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

January 29, 2025 at 9:15 a.m.
State Capitol, Room 430

In consideration of

H.B. 949

RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chair Evslin, Vice Chair Miyake, and members of the Committee.

HHFDC **supports** HB 949, which clarifies that a partner or member that is a partnership or limited liability company that has been allocated a low-income housing tax credit (LIHTC) may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer. It also extends the sunset date of Act 129, Session Laws of Hawaii 2016, relating to the low-income housing tax credit, from 12/31/2027 to 12/31/2032.

By expanding the pool of investors for State tax credits, this bill enhances the ability of affordable housing developers to raise equity efficiently. Increased investor participation can lead to faster project funding, less reliance on other financing sources, and enhanced affordability for residents.

Thank you for the opportunity to testify on this bill.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Allow Allocations of Low-Income Housing Tax Credit

BILL NUMBER: HB 949

INTRODUCED BY: EVSLIN, MIYAKE

EXECUTIVE SUMMARY: Clarifies that a partner or member that is a partnership or limited liability company that has been allocated a low-income housing tax credit may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer. Extends the sunset date of Act 129, Session Laws of Hawai'i 2016, relating to the low-income housing tax credit, from 12/31/2027 to 12/31/2032.

SYNOPSIS: Amends section 235-110.8, HRS, to provide that a partner or member that is a partnership or limited liability company that has been allocated a credit may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer, whether or not the taxpayer owns a direct or indirect interest in the qualified low-income building; provided that for any tax year in which the credit is transferred, sold, or assigned pursuant to this subsection, the transferor shall notify the department of taxation of the transfer, sale, or assignment in the manner prescribed by the department.

EFFECTIVE DATE: Upon approval, shall apply to taxable years beginning after December 31, 2024 provided that amendments made in Section 1 of this Act shall not be repealed when that section is reenacted on December 31, 2032.

STAFF COMMENTS: We note that in section 235-110.8(b), as it is proposed to be amended, the word "taxpayer" as used in the first paragraph does not seem to have the same meaning as the word "taxpayer" as used in the second paragraph (a buyer or transferee of the "taxpayer" mentioned in the first paragraph). To prevent confusion, the amendment should be redrafted to use different terminology.

Also, it may be simpler to enact a mechanism for selling the credit, which appears to be the end goal here.

Digested: 1/27/2025

HB-949

Submitted on: 1/27/2025 2:25:25 PM

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

Submitted By	Organization	Testifier Position	Testify
Kyle Watase	Mark Development, Inc.	Support	Written Testimony Only

Comments:

Subject: Support for Senate Bill 944 (SB944) and House Bill 949 (HB949)

Dear Representative Hashimoto and Representative Evslin,

I am writing to express my strong support for Senate Bill 944 (SB944) and House Bill 949 (HB949), which propose essential changes to the State Low-Income Housing Tax Credit (LIHTC) program. These measures will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and addressing Hawaii's pressing housing crisis.

As a developer with firsthand experience in the challenges and opportunities of affordable housing developments, I understand how vital innovative financing mechanisms are to making these developments feasible. By allowing partnerships and limited liability companies (LLCs) to further allocate, transfer, sell, or assign all or portions of their LIHTCs to other taxpayers, SB944 and HB949 will:

1. **Expand Access to Investment:** This flexibility will enable a broader range of Hawaii-based businesses and individuals with state income tax liabilities to invest in affordable housing projects, fostering a more inclusive and diversified investor base.
2. **Increase the Utility of the Credit:** Developers will have greater capacity to leverage the LIHTC program by engaging with investors who are best positioned to utilize the credits effectively, ensuring projects receive the necessary funding.
3. **Enhance Affordable Housing Development:** By optimizing the value of State LIHTCs, these bills will help accelerate the development of affordable housing projects, directly benefiting residents who are in critical need of stable, affordable homes.

Moreover, the proposed extension of the sunset date for the State LIHTC from 2027 to 2032 provides a much-needed runway to maintain momentum in affordable housing initiatives. Long-term certainty is critical for planning and executing large-scale developments, and this extension will ensure continuity and stability in Hawaii's affordable housing efforts.

Affordable housing is a cornerstone of a thriving and equitable community. By advancing SB944 and HB949, the Legislature will help create meaningful opportunities for private-sector investment and public benefit, addressing the housing shortage and easing the financial burden on many families across our state.

Thank you for your leadership and dedication to solving Hawaii's housing challenges. I urge your committees to advance SB944 and HB949 and encourage your colleagues to support these critical measures.

Please feel free to contact me at **808-207-8545** or **kylew@mdihawaii.com** if I can provide additional information or assistance.

Sincerely,

Kyle Watase

President

Mark Development, Inc.

Testimony of EAH Housing | Hawai'i Region
RELATING TO HB 949

Wednesday January 29, 2025 at 9:15 AM
Written Testimony Only

Committee on Housing

Chair Luke Evslin, Vice Chair Tyson Miyake
Members Elle Cochran, Tina Nakada Grandinetti, Darius Kila,
Lisa Kitagawa, Trish La Chica, Christopher Muraoka, and Elijah Pierick

Thank you for the opportunity to testify in support of HB 949, as this measure represents an important advancement in Hawaii's efforts to address the affordable housing crisis by improving the flexibility and functionality of the Low-Income Housing Tax Credit (LIHTC) program.

Allowing the transfer, sale, or assignment of all or portions of the LIHTC to other taxpayers provides critical flexibility for partnerships and limited liability companies, ensuring that credits are fully utilized. This enhancement will improve project financing efficiency, attract broader investment, and reduce barriers to funding affordable housing developments. Furthermore, extending the sunset date for these provisions ensures continuity and long-term stability for developers seeking to address Hawaii's pressing housing needs.

This bill directly supports the creation of affordable housing by addressing financing gaps and leveraging private investment, which is essential to meet the growing demand for low-income housing. By passing HB 949, the Legislature reinforces its commitment to practical, effective solutions that encourage the production of affordable housing across the state.

Thank you for your consideration of this important measure.



Karen Seddon, Regional Vice President
EAH Housing



Committee on Housing

Hearing Date: January 29, 2005

Subject: Support for House Bill 949 (HB949) and Senate Bill 944 (SB944)

Dear Chair Evslin, Vice Chair Miyake, and Members of the Committee on Housing:

I am writing to express my strong support for House Bill 949 (HB949) and Senate Bill 944 (SB944), which propose essential changes to the State Low-Income Housing Tax Credit (LIHTC) program. These measures will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and addressing Hawaii's pressing housing crisis.

As a developer with firsthand experience in the challenges and opportunities of affordable housing developments, I understand how vital innovative financing mechanisms are to making these developments feasible. By allowing partnerships and limited liability companies (LLCs) to further allocate, transfer, sell, or assign all or portions of their LIHTCs to other taxpayers, SB944 and HB949 will:

1. **Expand Access to Investment:** This flexibility will enable a broader range of Hawaii-based businesses and individuals with state income tax liabilities to invest in affordable housing projects, fostering a more inclusive and diversified investor base.
2. **Increase the Utility of the Credit:** Developers will have greater capacity to leverage the LIHTC program by engaging with investors who are best positioned to utilize the credits effectively, ensuring projects receive the necessary funding.
3. **Enhance Affordable Housing Development:** By optimizing the value of State LIHTCs, these bills will help accelerate the development of affordable housing projects, directly benefiting residents who are in critical need of stable, affordable homes.

Moreover, the proposed extension of the sunset date for the State LIHTC from 2027 to 2032 provides a much-needed runway to maintain momentum in affordable housing initiatives. Long-term certainty is critical for planning and executing large-scale developments, and this extension will ensure continuity and stability in Hawaii's affordable housing efforts.

Affordable housing is a cornerstone of a thriving and equitable community. By advancing SB944 and HB949, the Legislature will help create meaningful opportunities for private-sector investment and public benefit, addressing the housing shortage and easing the financial burden on many families across our state.

Thank you for your leadership and dedication to solving Hawaii's housing challenges. I urge your committees to advance SB944 and HB949 and encourage your colleagues to support these critical measures.



Please feel free to contact me at 808-381-5958 or mm@ahigroup.com if I can provide additional information or assistance.

Sincerely,

Makani Maeva
President of Ahe Group LLC



January 28, 2025

Representative Luke Evslin, Chair
Representative Tyson Miyake, Vice Chair
Committee on Housing

RE: **HB 949 - RELATING TO THE LOW-INCOME HOUSING TAX CREDIT**
Hearing date: Wednesday January 29 2025 at 9:15AM

Aloha Chair Evslin, Vice Chair Miyake, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **STRONG SUPPORT of HB 949 RELATING TO THE LOW-INCOME HOUSING TAX CREDIT**. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

HB 949 clarifies that a partner or member that is a partnership or limited liability company that has been allocated a low-income housing tax credit may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer. Extends the sunset date of Act 129, Session Laws of Hawai'i 2016, relating to the low-income housing tax credit, from 12/31/2027 to 12/31/2032.

NAIOP supports HB 949 which proposes essential changes to the State Low-Income Housing Tax Credit (LIHTC) program. This measure will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and addressing Hawaii's pressing housing crisis.

Our members have firsthand experience in the challenges and opportunities of affordable housing developments and understand how vital innovative financing mechanisms are to making these developments feasible. By allowing partnerships and limited liability companies (LLCs) to further allocate, transfer, sell, or assign all or portions of their LIHTCs to other taxpayers, HB949 and HB949 will:

1. **Expand Access to Investment:** This flexibility will enable a broader range of Hawaii-based businesses and individuals with state income tax liabilities to invest in affordable housing projects, fostering a more inclusive and diversified investor base.
2. **Increase the Utility of the Credit:** Developers will have greater capacity to leverage the LIHTC program by engaging with investors who are best positioned to utilize the credits effectively, ensuring projects receive the necessary funding.

3. Enhance Affordable Housing Development: By optimizing the value of State LIHTCs, these bills will help accelerate the development of affordable housing projects, directly benefiting residents who are in critical need of stable, affordable homes.

Moreover, the proposed extension of the sunset date for the State LIHTC from 2027 to 2032 provides a much-needed runway to maintain momentum in affordable housing initiatives. Long-term certainty is critical for planning and executing large-scale developments, and this extension will ensure continuity and stability in Hawaii's affordable housing efforts.

Affordable housing is a cornerstone of a thriving and equitable community. By advancing HB949 and HB949, the Legislature will help create meaningful opportunities for private-sector investment and public benefit, addressing the housing shortage and easing the financial burden on many families across our state.

Thank you for your leadership and dedication to solving Hawaii's housing challenges. I urge your committees to advance HB949 and HB949 and encourage your colleagues to support these critical measures. NAIOP Hawaii appreciates the Legislature's commitment to creating affordable housing for Hawaii residents and we look forward to working together. Thank you for the opportunity to provide testimony.

Mahalo for your consideration,



Reyn Tanaka, President
NAIOP Hawaii



P.O. Box 3590, Honolulu, HI 96811-3590
(808) 544-0500

cpb.bank

January 29, 2025

Subject: Support for Senate Bill 944 (SB944) and House Bill 949 (HB949)

Dear Representative Hashimoto and Representative Evslin,

I am writing to express my support for Senate Bill 944 (SB944) and House Bill 949 (HB949), which propose changes to the State Low-Income Housing Tax Credit (LIHTC) program. These measures will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and addressing Hawaii's pressing housing crisis.

As a developer with firsthand experience in the challenges and opportunities of affordable housing developments, I understand how vital innovative financing mechanisms are to making these developments feasible. By allowing partnerships and limited liability companies (LLCs) to further allocate, transfer, sell, or assign all or portions of their LIHTCs to other taxpayers, SB944 and HB949 will:

1. **Expand Access to Investment:** This flexibility will enable a broader range of Hawaii-based businesses and individuals with state income tax liabilities to invest in affordable housing projects, fostering a more inclusive and diversified investor base.
2. **Increase the Utility of the Credit:** These measures should improve the capacity to leverage the LIHTC program as Developers can engage investors who are best positioned to utilize the credits effectively. This provision should allow tax credits to be allocated over a broader range of entities beyond the usual investors, expanding the market for equity in affordable housing projects. By increasing competition for these credits, it is anticipated projects should see more equity dollars and subsequently reducing the reliance on RHRF gap funds.
3. **Enhance Affordable Housing Development:** By optimizing the value of State LIHTCs, these bills will help accelerate the development of affordable housing projects, ultimately increasing the availability of affordable homes.

Moreover, the proposed extension of the sunset date for the State LIHTC program from 2027 to 2032 provides a much-needed runway to maintain momentum in affordable housing initiatives. Long-term certainty is critical for planning and executing large-scale developments, and this extension will ensure continuity and stability in Hawaii's affordable housing efforts.

Thank you for your leadership and dedication to solving Hawaii's housing challenges. I urge your committees to advance SB944 and HB949 and encourage your colleagues to support these critical measures.

Please feel free to contact me at if you need additional information or assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy Camp", with a stylized flourish at the end.

Cathy Camp, EVP Real Estate
Central Pacific Bank

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Honolulu, Hawaii 96814
tel (808) 524-1508
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web kobayashi-group.com
email info@kobayashi-group.com

January 28, 2025

**Senator Troy Hashimoto
Representative Luke Evslin
Hawai'i State Capitol
Honolulu, Hawai'i 96813**

RE: SUPPORT FOR SENATE BILL 944 (SB944) AND HOUSE BILL 949 (HB949)

Dear Senator Hashimoto and Representative Evslin,

Mahalo for the opportunity to provide testimony in **SUPPORT** of House Bill 949 (HB949) and Senate Bill 944 (SB944), which propose crucial amendments to the State Low-Income Housing Tax Credit (LIHTC) program. These bills will improve the effectiveness of the tax credit, increasing investment in affordable housing and tackling Hawaii's critical housing crisis.

Kobayashi Group, a company with deep roots in Hawaii, recognizes and respects the unique values and priorities of our island communities. We are committed to reflecting these values in our operations, leveraging our skills and expertise to serve the diverse needs of our population, and believe that these bills will help to provide tools to that end.

Affordable housing is fundamental to the health of our communities. By endorsing SB944 and HB949, the Legislature will enable investment opportunities, and will help alleviate the housing shortage and reduce the financial strain, particularly for Asset Limited, Income Constrained, Employed families throughout the state.

Sincerely,



**Alana Kobayashi Pakkala
CEO + Partner**