

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 FINANCE

March 27, 2025 at 3:30 p.m.
State Capitol, Room 308

In consideration of
S.B. 944 SD2 HD1
RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

Chair Yamashita, Vice Chair Takenouchi, and members of the Committee.

HHFDC **supports** SB 944 SD2 HD1, which clarifies that a partner or member that is in 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 for certain provisions of LIHTC for low-income buildings. Lastly, it extends the sunset date of Act 129, SLH 2026, relating to LIHTC, until 12/31/2032.

LIHTC is one of the most important resources for creating affordable housing in the United States today. This bill would significantly expand the pool of investors by allowing developers to further allocate the credit or transfer, sell, or assign up to 100% of the tax credit, under certain conditions. HHFDC also supports extending the sunset date by five years, to 2032, to provide greater certainty to developers and investors.

Thank you for the opportunity to testify on this bill.

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
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 944, S.D. 2, H.D. 1, Relating to the Low-Income Housing Tax Credit.

BEFORE THE:

House Committee on Finance

DATE: Thursday, March 27, 2025

TIME: 3:30 p.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 944, S.D. 2, H.D. 1, for your consideration.

Section 1 of S.B. 944, S.D. 2, H.D. 1, 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). The transferor shall notify DOTAX of the transfer by the twentieth day of the first month following the end of the taxable year for which the credit may be claimed.

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 has a defective effective date of July 1, 3000 and applies to 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 requests an amendment to clarify that DOTAX will prescribe the manner of transfer for low-income housing tax credits may occur, starting on page 2, line 1, 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 in a manner prescribed by the department.

Given the complex nature of the proposed credit transfer provision, if the bill passes, DOTAX requests that the effective date of the bill be amended to apply 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.

DOTAX estimates the following revenue loss from this measure:

General Fund Impact (\$ millions)

FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
-28.2	-29.6	-31.1	-57.1	-60.0	-63.0

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



Subject: Support for Senate Bill 944 (SB944 HD1)

Dear Chair Kyle T. Yamashita and Members of the Committee,

I am writing to express my strong **support** for Senate Bill 944 (SB944 SD2), which proposes 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. In addition, we agree with the testimony from DOTAX made on February 26, 2025 that states: *"Section 1 of S.B. 944, S.D. 1, 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). The transferee must have received the transfer or assignment of the credit before the tax return is filed and the transferor must notify DOTAX of the transfer, sale, or assignment **at least 30 days before the transferee claims the tax credit.**"*

This will allow individuals and businesses that claim the credit adequate time to gather the proper documentation necessary to file their taxes. As currently written, "or assignment by the twentieth day of the first month following the end of the taxable year for which the credit may be claimed," many businesses and individuals may not have the proper documentation by this time.

Affordable housing is a cornerstone of a thriving and equitable community. By advancing SB944 HD1, 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 Hawaii. Thank you for your leadership and dedication to solving Hawaii's housing challenges.

Please feel free to contact me at 912-614-8419 or tlowmon@sugarcreekcapital.com if I can provide additional information or assistance.

Sincerely,

Tommy Lowmon
Director of Housing Policy

Sugar Creek Capital



March 27, 2025

Representative Kyle Yamashita, Chair
Representative Jenna Takenouchi, Vice Chair
Committee on Finance

RE: **SB 944 SD2 HD1 - Relating to The Low-Income Housing Tax Credit**
Hearing date: March 27, 2025 at 3:30 PM

Aloha Chair Yamashita, Vice Chair Takenouchi and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **STRONG SUPPORT of SB 944 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.

SB 944 authorizes a partner or member in a partnership or limited liability company that has been allocated a low-income housing tax credit to further allocate the credit or transfer, sell, or assign up to one hundred per cent of the tax credit, under certain conditions. Extends the sunset date for certain provisions of the Low-Income Housing Tax Credit for low-income buildings.

NAIOP supports SB 944 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, SB 944 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 SB 944, 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 SB 944 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



Testimony in Support of Senate Bill 944, SD2, HD1

House of Representative, Committee on Finance
March 27, 2025

Dear Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee on Finance:

I am writing to express my strong support for Senate Bill 944, SD2, HD1 (SB944), which proposes essential changes to the State Low-Income Housing Tax Credit (LIHTC) program. SB944, SD2, HD1 will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in critically needed affordable housing.

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, SD2, HD1 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, SD2, HD1, 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 committee to advance SB944, SD2, HD1 and encourage your colleagues to support this critical measure

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

Sincerely,

A handwritten signature in black ink that reads "Makani Maeva". The signature is fluid and cursive, with the first name "Makani" and last name "Maeva" clearly distinguishable.

Makani Maeva
President of Ahe Group LLC



GORDON M. ARAKAKI

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March 25, 2025

Hearing Date: Thursday, March 27, 2025
Time: 3:30 PM
Place: Conference Room 308

The Honorable Kyle T. Yamashita, Chair
The Honorable Jenna Takenouchi, Vice Chair
House Committee on Finance

Re: Testimony of the American Council of Life Insurers in Support of SB 944, SD2, HD1 – Relating to Low-Income Housing Tax Credit (Written Testimony Only)

Aloha Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee on Finance:

Thank you for the opportunity to testify in *support* of SB 944, SD2, HD1, which would allow partnerships and limited liability companies to further allocate, transfer, sell, or assign all or portions of their State Low-Income Housing Tax Credits to other taxpayers. The bill also extends the sunset date (from 2027 to 2032) for certain provisions of the Low-Income Housing Tax Credit for low-income buildings.

I represent the American Council of Life Insurers (“ACLI”). ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. Ninety million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 275 member companies represent 93 percent of industry assets in the United States.

ACLI members invest in tax credits such as the Low-Income Housing Tax Credit that is the subject of SB 944, SD2, HD1. This measure will significantly enhance the utility and effectiveness of the tax credit, thereby increasing investment in affordable housing and helping to address Hawaii’s pressing housing crisis.

Allowing partnerships and limited liability companies to further allocate, transfer, sell, or assign all or portions of their Low-Income Housing Tax Credits to other taxpayers will:

Testimony in Support of SB 944, SD2, HD1 – Relating to Low-Income Housing Tax Credit

House Committee on Finance

Hearing Date: Friday, March 14, 2025 (9:00 AM)

Page 2

- Expand access to investment by a broader range of Hawaii-based businesses and individuals; and
- Increase the utility of the credit by bringing in investors who are best positioned to use the credits effectively, which will give low-income housing developers greater capacity to leverage the Low-Income Housing Tax Credit program. Non-profit entities are unable to use these credits. The sale of such credits to an investor makes available new funds to be invested in providing additional low-income housing for Hawaii's people.

Thank you for your time and consideration of ACLI's testimony in *support* of SB 944, SD2, HD1. We respectfully request that you pass this bill.

Sincerely,

Gordon M. Arakaki



▪ March 25, 2025

The Honorable Kyle Yamashita, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance

Re: Testimony – SB 944, SD2, HD1
Relating to the Low-Income Housing Tax Credit
Hearing: Thursday, March 27, 2025 at 3:30 p.m.
Conference Room 308

Dear Chair Yamashita, Vice Chair Takenouchi, and Committee Members:

Stanford Carr Development supports SB 944, SD2, HD1, which allows partnerships and limited liability companies to allocate, transfer, sell, or assign all or a portion of the State Low-Income Housing Tax Credit (LIHTC) to other taxpayers. This measure also extends key provisions of the program’s sunset date from 2027 to 2032, ensuring continued private investment in affordable housing.

The federal LIHTC program was established under the Tax Reform Act of 1986 to encourage private investment in affordable housing for households earning 60% or below of the area median income. By leveraging private capital, this program reduces reliance on public funds, allowing government resources to focus on critical services such as safety, health, and education. In exchange for tax credits, investors provide rent-restricted units for lower-income families.

Hawaii’s LIHTC program, created under Act 216, SLH 1988, is administered by the Hawaii Housing Finance and Development Corporation (HHFDC). From 1999 to 2019, 136 projects produced 11,828 income-restricted units, financed through LIHTC private equity investments. However, Hawaii continues to face a severe affordable housing shortage. According to HHFDC’s Hawaii Housing Demand: 2020-2030 report, the state will need 36,155 additional units by 2030 to meet housing demand and restore market balance. The cost of developing a LIHTC unit now averages \$550,000, and the estimated replacement value of these properties exceeds \$6.5 billion.

Given the program’s proven success and its crucial role in addressing Hawaii’s housing crisis, we strongly urge your support for this measure.

March 25, 2025

Enhancing the transferability of LIHTC credits will attract additional investors, increase capital availability, and accelerate project timelines, while extending the program will provide long-term stability and ensure continued progress in addressing Hawaii's housing shortage.

Thank you for your time and consideration. Please let us know if we can provide any additional information.

Respectfully,

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', with a long horizontal flourish extending to the right.

Stanford S. Carr

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME; Allow Allocation, Transfer, Sale, or Assignment of Low-Income Housing Credit

BILL NUMBER: SB 944 SD 2 HD 1

INTRODUCED BY: House Committee on Housing

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, SLH 2016, relating to the low-income housing tax credit, until 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, 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.

EFFECTIVE DATE: July 1, 3000; shall apply to taxable years beginning after December 31, 2024; provided that amendments to §235-110.8 (b), HRS, by section 1 of this Act shall not be repealed when that section is reenacted on December 31, 2032 pursuant to section 4 of Act 29 SLH 2016 as amended by section 2 of Act 226 SLH 2021 as amended by section 2 of this Act.

STAFF COMMENTS: The intent here appears to be to allow monetization of the low-income housing credit by allowing it to be transferred.

We understand the need to notify the Department of Taxation of the transfer, but the new deadline date created (January 20 for calendar year taxpayers) appears to be artificial and somewhat harsh.

Digested: 3/25/2025



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
Thursday, March 27, 2025 AT 3:30 P.M.

To The Honorable Representative Kyle T. Yamashita, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

SUPPORT SB944 SD2 HD1 RELATING TO THE LOW-INCOME HOUSING TAX CREDIT

The Maui Chamber of Commerce **SUPPORTS SB944 SD2 HD1** 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 may either further allocate the credit or transfer, sell, or assign all or a portion of the credit to any taxpayer; and extends the sunset date of Act 129, SLH 2016, relating to the low-income housing tax credit, until 12/31/2032.

The Chamber applauds this bill for promoting policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawai'i's residents. Expanding low-income housing tax credits is a key strategy in addressing Hawai'i's housing crisis and attracting private investment. This bill amends HRS Section 235-110.8 to increase the flexibility of the low-income housing tax credit (LIHTC) program by allowing tax credits to be allocated, transferred, sold, or assigned more freely among taxpayers, including partnerships and limited liability companies. These changes make it easier for developers to secure funding, broaden investor participation, and accelerate the construction of affordable housing.

The bill also extends the LIHTC program's sunset date from December 31, 2027, to December 31, 2032, ensuring long-term support for affordable housing development. This extension provides financial stability for developers and maintains a steady pipeline of projects.

We fully support this bill, as it strengthens private investment, simplifies financing, and ensures program continuity, ultimately increasing affordable housing availability and expanding access for Hawai'i residents.

For these reasons we **SUPPORT SB944 SD2 HD1** and respectfully request its passage.

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.



**Testimony to the House Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Jenna Takenouchi, Vice Chair**

**Thursday, March 27, 2025, at 3:30PM
Conference Room 308 & Videoconference**

RE: SB944 SD2 HD1 Relating to the Low-Income Housing Tax Credit

Aloha e Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 944 Senate Draft 2 House Draft 1 (SB944 SD2 HD1), 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 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, SLH 2016, relating to the low-income housing tax credit, until 12/31/2032.

SB944 SD2 HD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

Hawaii continues to face an urgent shortage of affordable housing, and programs that encourage private investment are critical to addressing this crisis. This measure extends the State's low-income housing tax credit program and clarifies the rules for allocating, transferring, and selling these credits, providing additional incentives for investors and developers to construct or rehabilitate affordable rental units. By aligning with federal low-income housing tax credit structures yet maintaining flexibility for local partnerships, the measure helps to ensure ongoing financial support for housing initiatives that benefit Hawaii's most vulnerable residents.

By prolonging the duration of the tax credit and simplifying its allocation, the measure enhances market certainty and attracts broader participation from both individual and institutional investors. That improved flow of capital not only facilitates new development but also stabilizes rents for those who struggle to afford housing. The Chamber supports this legislation because it bolsters the private sector's role in expanding Hawaii's affordable housing supply and strengthens the overall economic and social fabric of the State.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 944 Senate Draft 2 House Draft 1. Thank you for the opportunity to testify.