

STAND. COM. REP. NO.

705

Honolulu, Hawaii

MAR 01 2007

RE: S.B. No. 600

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 600 entitled:

"A BILL FOR AN ACT RELATING TO LEASEHOLD CONVERSION,"

begs leave to report as follows:

The purpose of this measure is to exempt from state income taxation, one hundred per cent of the capital gains realized during taxable years 2008-2012, from a sale of the leased fee interest in condominium units to an association of apartment owners or residential cooperative corporations.

Your Committee received comments in support of this measure from the Hawaii Association of Realtors, Hawaii Independent Condominium & Cooperative Owners, and Monarch Properties, Inc. Written comments were received from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that in 2004, the City and County of Honolulu's Leasehold Task Group was charged with finding voluntary solutions that would allow apartment owner-occupants to acquire their leased-fee interest. One of the recommendations of the Task Group was for tax legislation that would motivate lessors to sell their leased-fee interest to lessee owner-occupants. Exempting the lessor's sale proceeds from the capital gains tax under state law is one such tax legislation that could motivate lessors to sell.

Your Committee believes that this measure would provide residential lessees with an opportunity to be fee simple homeowners



in an increasingly expensive and competitive housing market, and it is the intent of your Committee to support this modest option. More importantly, exempting these sales from the State's capital gains tax could result in the voluntary conversion of leasehold to fee simple ownership for residential lessees throughout the State, preventing the anticipated displacement of many older residents whose leasehold terms will soon expire.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 600 and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


ROSALYN H. BAKER, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* <div style="font-size: 1.2em; font-family: cursive;">SB 600</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">EDT/CPH, WAM</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2-23-07</div>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input type="checkbox"/> Pass, with amendments 2311 </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310 </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313 </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
FUKUNAGA, Carol	/			
HOOSER, Gary L.	/			
KIM, Donna Mercado	/			
MENOR, Ron				/
TOKUDA, Jill N.	/			
HEMMINGS, Fred				/
WHALEN, Paul	/			
TOTAL	9	0	0	2
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: <div style="font-size: 1.2em; font-family: cursive; margin-top: 10px;"> </div>				
<div style="display: flex; justify-content: space-between; font-size: 0.8em;"> <div>Distribution:</div> <div>Original</div> <div>Yellow</div> <div>Pink</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>File with Committee Report</div> <div>Clerk's Office</div> <div>Drafting Agency</div> </div>				

*Only one measure per Record of Votes