STAND. COM. REP. NO. 3373

Honolulu, Hawaii APR 04 2008

RE: H.B. No. 3059

H.D. 1 S.D. 3

Honorable Colleen Hanabusa President of the Senate Twenty-Fourth State Legislature Regular Session of 2008 State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 3059, H.D. 1, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING TAX CREDITS."

begs leave to report as follows:

The purpose of this measure is to increase the value of the low-income housing tax credit by reducing the credit period or the period over which the credit is taken from ten to five years.

The measure also increases the low-income housing tax credit from fifty to one hundred per cent of the applicable percentage of the qualified basis of housing projects.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation, EAH Housing, and Castle and Cooke Hawaii. The Department of Taxation and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that the low-income housing tax credit is an important financing tax incentive to encourage the construction of low-income housing projects. Currently, the low-income housing tax credit provides a dollar-for-dollar credit against an annual income tax liability over a ten-year period. Developers typically need to sell the tax credit to investors to finance housing projects. Because the tax credit is spread over ten years, investors that buy these tax credits demand substantial

discounts to offset the present value of their upfront investment. By reducing the credit period from ten to five years, this measure significantly enhances the value of the tax credits by generating more equity to develop more affordable low-income housing within a shorter period of time.

Your Committee has amended the measure by making technical amendments that have no substantive effect.

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 H.B. No. 3059, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 3059, H.D. 1, S.D. 3.

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.:* #B3 059, #D1, 5D2	Committee		į	nte: /28/08	
The committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
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.					
INOUYE, Lorraine R.		-			
KIM, Donna Mercado					
MENOR, Ron					
TOKUDA, Jill N.					
HEMMINGS, Fred					
WHALEN, Paul					
	**************************************	Karan (arti siga laking kigi dalan gari paking karat kara kara sa		1 6.000 W 1 50 E	
TOTAL		10	0	0	2
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature:					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

^{*}Only one measure per Record of Votes