

Honolulu, Hawaii

APR - 1 2010

RE: H.B. No. 2381  
H.D. 2  
S.D. 2

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2381, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to provide a temporary tax credit for residential construction and remodeling projects.

The measure also requires the Department of Taxation to submit a report to the Legislature that compares the impact on jobs and on the state budget of the following tax credits:

- (1) New construction to residential apartment units and houses;
- (2) Renovations to residential apartment units and houses;
- (3) New construction to hotels and resorts; and
- (4) Renovations to hotels and resorts.

Your Committee received written comments in support of this measure from the Land Use Research Foundation of Hawaii. Written comments in opposition were submitted by the Hawaii Lumber Products Association. The Office of the Governor, the Department of Taxation, The Tax Foundation of Hawaii, and the Building



Industry Association of Hawaii submitted comments on the measure. The written comments may be reviewed on the Legislature's website.

Your Committee finds that this measure will help stimulate Hawaii's economy by providing a boost to the State's construction industry. Your Committee also finds that this measure will assist current and prospective homeowners in building or remodeling their homes. The report by the Department of Taxation will help quantify the benefit of the credits and provide information that will help the Legislature determine whether to extend the tax credit for residential construction and remodeling projects.

Your Committee further finds that, in light of the budgetary shortfall, it is appropriate to clarify the requirements for claimants to receive general excise tax exemptions for qualified affordable housing projects.

Your Committee has amended this measure by:

- (1) Adding a new Part I to the measure that:
  - (A) Defines the term "qualified person or firm";
  - (B) Ensures that claimants who receive general excise tax exemptions for qualified affordable housing projects continue to meet all criteria necessary to receive the exemptions;
  - (C) Increases the transparency of the process of approving and certifying certain general excise tax exemptions for the development of certain housing projects and rental income from those projects;
  - (D) Adds a residency requirement, with an active military exemption, for households in certain housing projects as a criterion for developers, landlords, or management companies to qualify for a general excise tax exemption; and
  - (E) Amends the method of calculating the gross annual income of households in housing projects that qualify developers, landlords, or management companies for a general excise tax exemption;



- (2) Designating the residential and remodeling tax credit and Department of Taxation reporting requirements as Part II;
- (3) Clarifying that the tax credit for residential construction and remodeling applies only to costs incurred for plans, design, and construction; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and style.

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. 2381, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2381, H.D. 2, S.D. 2.

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



DONNA MERCADO KIM, Chair



The Senate  
Twenty-Fifth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:	
HB 238 HD 2 SD1	EDH, WAM	3/31/10	
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____			
The Recommendation is:			
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313			
Members	Aye	Aye (WR)	Nay
Excused			
KIM, Donna Mercado (C)	/		
TSUTSUI, Shan S. (VC)	/		
CHUN OAKLAND, Suzanne	/		
ENGLISH, J. Kalani	/		
FUKUNAGA, Carol	/		
GALUTERIA, Brickwood	/		
HEE, Clayton			/
HOOSER, Gary L.	/		
KIDANI, Michelle N.	/		
KOKUBUN, Russell S.	/		
TOKUDA, Jill N.	/		
HEMMINGS, Fred	/		
<b>TOTAL</b>	11	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted			
Chair's or Designee's Signature: 			
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report   Clerk's Office   Drafting Agency   Committee File Copy			

\*Only one measure per Record of Votes