

Honolulu, Hawaii

FEB 26 2010

RE: S.B. No. 2575
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 S.B.
No. 2575, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose of this measure is to establish an anti-speculation capital gains tax on the sale of certain real property held for less than twenty-four months.

This measure would not apply to real property sold to provide affordable housing to a resident earning less than one hundred forty per cent of the median Hawaii income, as determined by the Department of Taxation, and that would not be resold in less than ten years. The measure would also not apply to properties that qualify the seller for a county homeowner's exemption or to military personnel selling property as a result of military relocation orders.

Your Committee received written comments in opposition to this measure from the Department of Taxation and Alexander and Baldwin, Inc. The Tax Foundation of Hawaii submitted comments on this measure. The written comments may be reviewed on the Legislature's website.

Your Committee finds that it is in the public's interest to deter investors from selling real property held for less than twenty-four months. Unrestricted real property speculation drives the prices of real estate up and causes artificial bubbles in the



market place. This condition limits housing to the wealthy and shuts out buyers who could otherwise afford to purchase a home. Your Committee also finds that this measure provides an infusion into the Rental Housing Trust Fund from tax revenues collected under this measure. Considering, however, the present financial crisis experienced by the State, your Committee believes that it is prudent to designate some of the proceeds from this measure to the general fund.

Accordingly, your Committee has amended this measure by:

- (1) Requiring half, instead of all, of the tax revenues realized under this measure to be deposited into the Rental Housing Trust Fund and the other half to be deposited into the general fund;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical, nonsubstantive amendments for the purpose 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 S.B. No. 2575, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2575, 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.:* <div style="font-size: 1.2em; font-family: cursive;">SB 2575, SDI</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">EDH/HIA, WAM</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2-24-10</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-around; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input checked="" 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
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				/
TOTAL	11	0	6	1
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: 1.5em; font-family: cursive; margin-top: 10px;">  </div>				
Distribution: <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>Original File with Committee Report</div> <div>Yellow Clerk's Office</div> <div>Pink Drafting Agency</div> <div>Goldenrod Committee File Copy</div> </div>				

*Only one measure per Record of Votes