Honolulu, Hawaii **Februay 19**, 2016

RE: H.B. No. 2744 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Eighth State Legislature Regular Session of 2016 State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2744 entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose of this measure is to amend certain statutes relating to the low-income housing tax credit provided by the State. Among other things, this measure:

- Increases the aggregate state housing credit dollar amount available for award annually;
- (2) Removes provisions establishing eligibility and credit rates for taxpayers issued subawards under Section 1602 of the American Recovery and Reinvestment Act of 2009;
- .(3) Clarifies the allocation of tax credits for pass-through entities;
- (4) Bases the amount of tax credit for a building on whether or not the building is financed by tax-exempt bonds; and
- (5) Removes requirements for applying Internal Revenue Code sections regarding at-risk rules and limitation of passive activity losses and credits.

InState Partners supported this measure. The Hawaii Housing Finance and Development Corporation and Department of Taxation provided comments.

Your Committee has amended this measure by:

- (1) Reinstating certain language that was to be repealed by this measure, including:
 - (A) Provisions related to eligibility and credit rate for recipients of subawards issued under Section 1602 of the American Recovery and Reinvestment Act of 2009; and
 - (B) Requirements for application of Internal Revenue Code sections regarding at-risk rules and limitation of passive activity losses and credits;
- (2) Removing language that:
 - (A) Would have qualified taxpayers who own an interest in a qualified low-income housing building or qualified low-income housing project located in the State as eligible to claim a low-income housing tax credit against the taxpayer's net income tax liability; and
 - (B) Would have required tax credits of a partnership, S corporation, estate, or trust to be determined at the entity level;
- (3) Increasing the value of the State Low-Income Housing Tax Credits by shortening the term over which the credits are taken to five years; and
- (4) Changing its effective date to July 1, 2050, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2744, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2744, H.D. 1, and be referred to your Committee on Finance.

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Respectfully submitted on behalf of the members of the Committee on Housing,

MARK J. HASHEM, Chair

State of Hawaii House of Representatives The Twenty-eighth Legislature

HSCR479-16

Record of Votes of the Committee on Housing

Bill/Resolution No.: Committee	ee Referral:	Date: 2/8//6		
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
HSG Members	Ayes	Ayes (WR)	Nays	Excused
1. HASHEM, Mark J. (C)				
2. JORDAN, Jo (VC)			_	
3. BELATTI, Della Au				
4. CREAGAN, Richard P.				V
5. KOBAYASHI, Bertrand				
6. MORIKAWA, Dee				
7. OSHIRO, Marcus R.				
8. FUKUMOTO CHANG, Beth				
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TOTAL (8)	6	æ	O	2
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office Duplicate (Pink) - HMSO				