

STAND. COM. REP. NO.

3001

Honolulu, Hawaii

MAR 21 2018

RE: H.B. No. 2332  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B.  
No. 2332, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE LOW-INCOME HOUSING TAX  
CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Specify that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity loss do not apply with respect to claims for the state low-income housing tax credit; and
- (2) Caps the state low-income housing tax credit at fifty percent of the federal low-income housing tax credit.

Your Committee received testimony in support of this measure from the Office of the Governor; Department of Business, Economic Development, and Tourism; Department of Taxation; Hawaii Housing Finance and Development Corporation; InState Partners; and O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i. Your Committee received comments on this measure from the Tax Foundation of Hawaii.



Your Committee finds that under existing law, the state low-income housing tax credit is difficult to use for Hawaii taxpayers other than large corporations or financial institutions. As a result, this lowers the demand and equity that can be generated for each dollar of this tax credit that is issued.

Your Committee further finds that Act 129, Session Laws of Hawaii 2016, addressed an aspect of this issue by accelerating the low-income housing tax credit from ten to five years. This acceleration makes the tax credit available to smaller taxpayers who are better able to forecast their income tax liability over a five-year, rather than ten-year, span. This measure builds on the incentives provided under Act 129, Session Laws of Hawaii 2016, by eliminating the applicability of the at-risk and passive activity loss rules to the low-income housing tax credit. This will allow affordable rental housing developers to decouple the tax credit from an ownership share in affordable rental projects being financed, thereby allowing any Hawaii taxpayer with income tax liability to use the low-income housing tax credit.

Your Committee has amended this measure by:

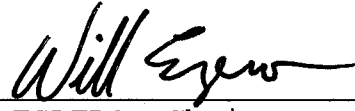
- (1) Adding language to clarify that the amendments made to the low-income housing tax credit will not be repealed when section 235-110.8, Hawaii Revised Statutes, is reenacted on December 31, 2021, pursuant to section 4 of Act 129, Session Laws of Hawaii 2016; and
- (2) Making other technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 2332, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2332, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.



3001

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



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WILL ESPERO, Chair



## Record of Votes Committee on Housing HOU

\*Only one measure per Record of Votes