STAND. COM. REP. NO.

477

Honolulu, Hawaii

, 2021

FEB 18

RE: H.B. No. 1388 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-First State Legislature Regular Session of 2021 State of Hawaii

## Sir:

Your Committee on Economic Development, to which was referred H.B. No. 1388 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Eliminate the home mortgage interest deduction for second homes under the State's Hawaii income tax law; and
- (2) Require the amount of state revenue gained by eliminating the deduction to be deposited into the Rental Housing Revolving Fund.

Your Committee received testimony in opposition to this measure from the Hawai'i Association of REALTORS. Your Committee received comments on this measure from the Department of Taxation, Hawaii Housing Finance and Development Corporation, Tax Foundation of Hawaii, and Grassroot Institute of Hawaii.

Your Committee finds that Hawaii is currently experiencing a housing shortage in which there are not enough homes to meet demand. By removing the homeowners interest deduction for second homes, this measure encourages those who own second homes to sell

those homes, which would increase the housing supply for Hawaii residents who could use the home as their primary residence.

Your Committee has amended this measure by:

- (1) Deleting provisions that would have deposited the amount of state revenue gained by eliminating the home mortgage interest deduction for second homes into the Rental Housing Revolving Fund;
- (2) Changing the effective date to July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1388, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1388, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Economic Development,

SEAN OUINLAN, Chair

## State of Hawaii House of Representatives

The Thirty-first Legislature #37

Record of Votes of the Committee on Economic Development

Bill/Resolution No.: Committee	Referral:	Date: 2   12   2		
θ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: $\theta$ Pass, unamended (as is) $\theta$ Pass, with amendments (HD) $\theta$ Hold $\theta$ Pass short form bill with HD to recommit for future public hearing (recommit)				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. QUINLAN, Sean (C)			100 gg 000 gg 27 100 g 100 100 g 28 28 28 28 28 28 28 28 28 28 28 28 28	
2. HOLT, Daniel (VC)	<b>√</b>			
3. BELATTI, Della Au	the management of the second			
4. KOBAYASHI, Dale T.	$\sqrt{}$		100000000000000000000000000000000000000	
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5. ONISHI, Richard H.K.	<b>√</b>			
6. SAYAMA, Jackson D.				
7. TAKAYAMA, Gregg			1990 at Barrier recorded a subject of advantace Code (we subject of the subject o	
8. OKIMOTO, Val		V		
		·		
TOTAL (A)	<b>6</b>		O	
TOTAL (8)	6			
The recommendation is:  (θ) Adopted  If joint referral, did not support recommendation.  committee agropym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				