

STAND. COM. REP. NO.

215

Honolulu, Hawaii

FEB 09 , 2023

RE: H.B. No. 1121
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 1121 entitled:

"A BILL FOR AN ACT RELATING TO LEASEHOLD CONVERSION,"

begs leave to report as follows:

The purpose of this measure is to exempt one hundred percent of the gain realized by a fee simple owner from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or residential cooperative housing corporation of the leasehold units.

Your Committee received testimony in support of this measure from the Hawaii Council of Associations of Apartment Owners and five individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that Act 166, Session Laws of Hawaii 2007 (Act 166), provided an income tax exemption of one hundred percent of capital gains realized by a fee simple owner from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or residential cooperative corporations of the leasehold unit. This was to encourage

2023-1420 HB1121 HD1 HSCR HMSO



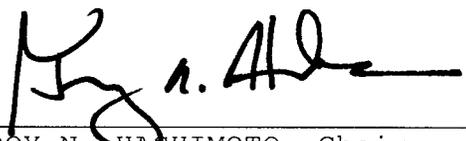
landowners to sell condominium lessees the fee interest in their unit, thereby promoting long-term stability in Hawaii's condominium and cooperative housing market. Your committee further finds that Act 166 sunset on December 31, 2021. Many condominium units are still being held in leasehold and your Committee believes that residents would benefit from this tax exemption once again.

Your Committee has amended this measure by:

- (1) Clarifying that this measure does not apply to taxable years beginning after December 31, 2029;
- (2) Changing the effective date to July 1, 3000, 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 Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1121, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1121, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

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



TROY N. HASHIMOTO, Chair



