

STAND. COM. REP. NO.

755

Honolulu, Hawaii

FEB 17 , 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 Consumer Protection & Commerce, to which was referred H.B. No. 1121, H.D. 1, 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, Palehua Townhouse Association, Mauna Luan, and four individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that capital gains taxes are a major deterrent in selling leased fee interests. Your Committee further finds that many residents who reside in leasehold units face the risk of losing their housing when the leases expire. As a mechanism to stabilize housing for these individuals, the Legislature enacted Act 166, Session Laws of Hawaii 2007 (Act 166), to provide an income tax exemption to incentivize lessors to

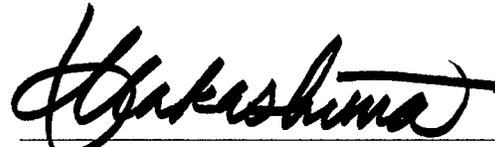
2023-1846 HB1121 HD1 HSCR HMSO



sell the leased-fee interests to their lessees. The exemption was extended until December 31, 2017. This measure will reinstate the tax exemption established by Act 166, which will allow more conversions from leasehold to fee simple and increase the availability of for-sale units in condominium projects, cooperative projects, and planned community developments.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1121, H.D. 1, and recommends that it be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



MARK M. NAKASHIMA, Chair



