STAND. COM. REP. NO. 215

, 2023

Honolulu, Hawaii

FEB 09

H.B. No. 1121 RE:

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

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 WASHIMOTO Chair

State of Hawaii House of Representatives The Thirty-second Legislature

HSCR 215

Record of Votes of the Committee on Housing

Bill/Resolution No.: Committee HB 1121 HS 6	e Referral:	Dates	2/8/2	3
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. HASHIMOTO, Troy N. (C)				· · · · · · · · · · · · · · · · · · ·
2. AIU, Micah P.K. (VC)	V			
3. KILA, Darius K.				
4. KITAGAWA, Lisa				
5. MARTEN, Lisa				
6. ONISHI, Richard H.K.				
7. TODD, Chris				
8. MATSUMOTO, Lauren				
8. MATSUMOTO, Lauren				
TOTAL (8)	7			l
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				