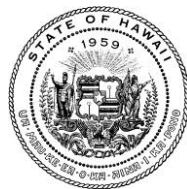


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2874, Relating to Taxation.

BEFORE THE:

Senate Committee on Commerce and Consumer Protection

DATE: Tuesday, February 13, 2024

TIME: 9:20 a.m.

LOCATION: State Capitol, Room 229

Chair Keohokalole, Vice-Chair Fukunaga, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 2874 for your consideration.

S.B. 2874 adds a new section to chapter 235 of the Hawaii Revised Statutes (HRS), establishing a non-refundable income tax credit for landlords who lease a unit to a tenant with a pet for at least six months. S.B. 2874 would apply to taxable years beginning after December 31, 2023.

The Department notes that there may be some ambiguity in subsections (b) and (c) regarding how the credit should be calculated for different types of entities. A "qualified taxpayer" could be any individual or entity who is a landlord. Subsection (b) provides that for partnerships, S corporations, estates, and trusts, the tax credit is allowable for the qualified expenses incurred by the entity for the taxable year. However, there is no definition for or limitation on "qualified expenses." Simultaneously, subsection (c) states that the credit amount will be equal to an undetermined set dollar amount per each unit rented by a qualified taxpayer, regardless of entity type, with no limit on the number of units that can be rented out and still qualify for the credit.

The Department suggests limiting the credit to only one taxpayer-landlord per unit rented and eliminating the provision that allows certain entities to base their credit on their qualified expenses. This could be accomplished by amending subsections (b) and (c) of the proposed credit as follows:

(b) In the case of a partnership, S corporation, estate, or trust, the tax credit [~~allowable is for qualified expenses incurred by the entity for the taxable year. The expenses upon which the tax credit is computed~~] shall be determined at the entity level. Distribution and share of credit shall be determined by rule.

(c) The tenant pet tax credit shall be equal to \$_____ for any unit rented by a qualified taxpayer to a tenant that has a pet occupy the rental unit; provided that the rental lease agreement is for a minimum of six months; provided further that only one qualified taxpayer may claim the credit per unit rented.

Additionally, the Department notes that the bill does not specify the taxable year in which the credit may be claimed.

Finally, the Department requests that the effective date of this measure be postponed to apply to taxable years beginning after December 31, 2024. This will provide the Department with sufficient time to issue guidance and make the necessary form and system changes.

Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX: Tenant Pet Tax Credit; Residential Landlords

BILL NUMBER: SB 2874, HB 2187

INTRODUCED BY: SB by MCKELVEY; HB by AMATO, KAPELA, KILA, MARTEN, PERRUSO, POEPOE, TAM

EXECUTIVE SUMMARY: Establishes a non-refundable income tax credit for residential landlords who lease a unit to a tenant with a pet for at least six months.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish a nonrefundable tenant pet tax credit. The credit will be \$___ for any unit rented by a qualified taxpayer to a tenant with a pet for a minimum of 6 months.

EFFECTIVE DATE: Upon approval, applicable to taxable years beginning after December 31, 2023.

STAFF COMMENTS: The tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount. The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize the rental of apartments to tenants with pets, then a direct appropriation would be more accountable and transparent.

Digested: 2/8/2024



Hawaiian Humane Society

People for animals. Animals for people.

2700 Waiālae Avenue Honolulu, Hawaii 96826
808.356.2200 • HawaiianHumane.org

Date: Feb. 11, 2024

To: Chair Sen. Jarrett Keohokalole
Vice Chair Sen. Carol Fukunaga
and Members of the Committee on
Commerce and Consumer Protection

Submitted By: Stephanie Kendrick, Director of Community Engagement
Hawaiian Humane Society, 808-356-2217

RE: Testimony in support of SB 2874: Relating to Taxation
Tuesday, Feb. 13, 2024, 9:20 a.m., Capitol Room 229

On behalf of the Hawaiian Humane Society, thank you for considering our strong support for Senate Bill 2874, which establishes a non-refundable income tax credit for residential landlords who lease a unit to a tenant with a pet for at least six months.

Lack of access to pet-friendly housing is among the most common reasons that pet owners surrender their beloved family members to the care of animal shelters. Hawai'i residents should not have to choose between keeping their family intact or having a roof over their heads.

This measure takes the win-win approach of offering landlords yet another incentive to rent to pet owners. Why do I say another incentive? Because there are so many already.

- Nearly 60 percent of O'ahu households reported owning at least one pet in a 2018 survey conducted by Ward Research for the Hawaiian Humane Society. It is a huge market.
- Hawai'i laws hold tenants responsible for property damage.
- Hawaiian Humane supports property managers by offering community education on being a good neighbor with your pet.
- National research by Michelson Found Animals Foundation and the Human Animal Bond Research Institute, which surveyed 1,299 tenants and 551 property owners/managers in 2019, found that:

- On average, residents in pet-friendly housing stay 21% longer than those in non-pet-friendly housing. This translates to residents staying about 10 additional months.
- 83% of owner/operators say pet-friendly vacancies are filled faster.
- 86% of owner/operators believe they have a positive relationship with most tenants who have pets.
- 95% of resident pet owners are perceived to be nice, friendly, caring, and good people by their neighbors.

Despite this evidence, which underpins the uptick we are seeing locally in new housing developments that embrace pets, many property owners and managers are stuck in an unsubstantiated, risk-averse mindset that discriminates against pet owners.

We urge the committee to pass SB 2874. Please offer landlords another incentive to provide housing to local families by welcoming their pets. You will be keeping animals out of shelters and with the families who love them.

Mahalo for your consideration.



February 13, 2024

Members of the Senate Committee on Commerce and Consumer Protection:

Chair Jarrett Keohokalole
Vice Chair Carol Fukunaga
Sen. Angus L.K. McKelvey
Sen. Herbert M. Richards III
Sen. Brenton Awa

Re: SB2874 Relating to Taxation

Dear Chair Keohokalole, Vice Chair Fukunaga, and Members of the Senate Committee on Commerce and Consumer Protection:

The Hawai'i State Coalition Against Domestic Violence (HSCADV) addresses the social, political, and economic impacts of domestic violence on individuals, families, and communities. We are a statewide partnership of domestic violence programs and shelters.

On behalf of HSCADV and our 27 member programs statewide, I respectfully submit testimony supporting SB2874.

Survivors of domestic violence face many challenges when making decisions about their safety. One of the most crucial factors is housing. **The ability to find safe and affordable housing for themselves, their family, and their pets is a key economic consideration for survivors when deciding to leave an abusive partner.**

In a survey conducted by the Urban Resource Institute (URI), the largest domestic violence residential service provider in the US, and the National Domestic Violence Hotline (The Hotline), **97% of respondents reported that keeping pets is an important factor in seeking shelter, and half of respondents would not consider shelter for themselves without their pet.¹ Ninety-one percent also indicated that their pets' emotional support and physical protection are significant in their ability to survive and heal.**

Additionally, almost half (48%) of domestic violence survivors surveyed worried their abusive partners would hurt or kill their pets, 37% reported that their pets were already threatened by their abusive partners, and 29% shared that their pets were already harmed or

¹ <https://www.thehotline.org/news/pets-are-critical-priority-for-survivors-seeking-safety/> accessed on 2/9/2024.



killed.² Abuse of a pet is also a lethality indicator for victims of domestic violence that should not be ignored.

Unfortunately, there isn't enough pet-friendly housing to meet the needs of our community, let alone those fleeing domestic violence. This is a problem recognized by our emergency domestic violence shelters that do their best to accommodate survivors with pets and the Hawaiian Humane Society alike. "The high cost of living and the lack of affordable pet-friendly housing, we're seeing it as an emerging crisis," said Brandy Shimabukuro from the Hawaiian Humane Society.³ Our member programs have shared with us instances where survivors chose to return to their abusive partners or sleep in their cars.

It's important to recognize the impact of housing insecurity on survivors with pets and to support them in any way possible. Please pass SB2874, opening opportunities for domestic violence survivors to keep their pets with them when leaving an abusive partner.

Thank you for the opportunity to testify on this important matter.

Sincerely,
Angelina Mercado, Executive Director

² Ibid.

³ <https://www.khon2.com/local-news/lack-of-pet-friendly-affordable-housing-leads-to-overcrowding-at-shelters/> accessed on 2/9/2024.



February 9, 2024

To: Chair Sen. Jarrett Keohokalole
Vice Chair Sen. Carol Fukunaga
And Members of the Committee on Commerce and Consumer Protection

Submitted By: Kaua`i Humane Society

RE: SB2874: Relating to taxation

Testimony in support.

The Kaua`i Humane Society (KHS) supports Senate Bill 2874 and the income tax credit for residential landlords who lease to pet owners for at least six months.

This bill is strongly supported by every employee at KHS. We all struggle to find pet-friendly housing, including myself. We pay higher rents, sign long-term leases, and are outstanding tenants that never complain because of the fear we have of losing our home, and trying to find another place that will allow pets. KHS has had significant challenges in hiring staff as anyone moving to Kaua`i, even from neighboring islands is unable to find housing that will permit a pet, and if you have more than one pet, your challenge doubles.

The KHS staff are not the only ones feeling helpless. Our community is also struggling. In 2020, KHS took in 316 owner surrendered pets. That number more than doubled in 2021 (695 surrenders). In 2022, there were 462 and in 2023, there were 490 surrenders. These numbers do not include the number of animals abandoned at KHS or left as stray because there was no longer a home to provide for them. KHS hears countless stories of landlords changing leases after years to no longer allow for pets and those moving for other reasons (e.g., landlord is selling the home) find that there is no home that permits pets. The housing on Kaua`i and across Hawai`i should not be tearing families apart. There have been far too many tears shed in the KHS lobby because a pet owner is being forced to surrender their pet, so they can keep a roof over their head.

KHS attended a Kaua`i Landlord Workshop. When the topic concerning pet-friendly housing arose, the response we received was there is a waitlist of tenants without pets looking for housing, so they had no motivation to offer homes to those with pets. We urge you to pass Senate Bill 2874 as this bill would provide that incentive to offer pet-friendly housing and assist the large population of pet-owning tenants across Hawai`i. Thank you for considering our testimony.

Respectfully,
Nicole Schafer Crane
Executive Director
Kaua`i Humane Society
nicole@kauaihumane.org

SB-2874

Submitted on: 2/7/2024 9:23:41 PM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill. Anything that will provide housing for people with pets is greatly appreciated. All too often people have to choose between keeping their pets or obtaining housing. Pets are members of our families, which provide support that humans cannot.

Please move this bill forward.

SB-2874

Submitted on: 2/8/2024 11:04:42 PM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Stephanie McLaughlin	Individual	Support	Written Testimony Only

Comments:

Please support this important bill which will help pet owners find homes to rent that will allow them to bring their pet into the rental home with them. It will help keep families together since pets are considered family members.

SB-2874

Submitted on: 2/9/2024 9:10:07 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Lindsey A Drayer	Individual	Support	Written Testimony Only

Comments:

I support this

Thank you

SB-2874

Submitted on: 2/9/2024 9:40:51 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Maddalynn Seseapasara	Individual	Support	Written Testimony Only

Comments:

I respectfully submit testimony in support of SB2874.

Thank you for the opportunity to testify on this important matter.

Maddalynn Seseapasara

SB-2874

Submitted on: 2/9/2024 8:51:55 PM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Bonnie Gollero	Individual	Support	Written Testimony Only

Comments:

I am a Hawaii resident in Palolo in favor of this bill.

SB-2874

Submitted on: 2/10/2024 3:06:22 PM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Taurie Kinoshita	Individual	Support	Written Testimony Only

Comments:

To the Honorable Committee,

I am writing in strong support of SB2874.

Tenants hoping to find pet-friendly housing are desperate...

With all of the deep issues facing the people of Maui, it is vital that we recognize keeping families together, especially in times of crisis, is important. Pets are family.

Please pass SB2874.

Families should not encounter extra hardships in seeking homes.

Thank you for your consideration.

Sincerely,

Taurie Kinoshita

SB-2874

Submitted on: 2/10/2024 4:32:27 PM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Melanie Kim	Individual	Support	Written Testimony Only

Comments:

I support this bill. Renters who have pets are increasingly having to surrender their animals due to lack of housing that accommodates attendance with their pets. Giving a tax credit to landlords who provide rentals to tenants who have animals will certainly help in keeping the family hole. For many residents, their pets are part of their Ohana, and having to surrender them or rehome them is heartbreaking.

SB-2874

Submitted on: 2/11/2024 4:02:11 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Jennifer Chiwa	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Senator Keohokalole, Vice Chair Senator Fukunaga and Members of the Committee on Commerce and Consumer Protection.

Please support SB 2874 which would be very helpful to tenants seeking pet friendly housing and which would help these tenants to keep their beloved pets.

Again, please support SB 2874.

Mahalo.

Jennifer Chiwa

Makiki

SB-2874

Submitted on: 2/11/2024 11:15:20 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Serena Stefanic-Phillip	Individual	Support	Written Testimony Only

Comments:

I support bill SB2874

SB-2874

Submitted on: 2/11/2024 8:53:37 PM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Whitney Broekstra	Individual	Support	Written Testimony Only

Comments:

I support. Need more pet friendly housing and an incentive would help

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Jarrett Keohokalole, Chair Senator
Carol Fukunaga, Vice Chair

SB2874 RELATING TO TAXATION

- Tuesday, Feb. 13, 2024
- 9:20am, Conference Room 229 & Videoconference State Capitol

In Support

Thank you for the opportunity to articulate my support for this important initiative. As a rescue pet owner and animal lover, I firmly support this effort to keep families and their pets together. This is especially true during these challenging times for our 'ohana across our islands when we are experiencing growing mental health and housing crisis coupled with the tragic housing situation in West Maui.

While this is a small step, it is very important - keeping family members together, to include pets - promotes family health and supports the healing process for those in trauma. I understand this initiative originated in Maui for many good reasons. But we must extend this vision to all islands.

Hopefully, this action to will be one more step toward finding housing for all families, including pet owners. No one should have to abandon a beloved pet in order to secure housing.

Thank you your consideration of this bill. I hope initiatives like this can help provide more of our citizens with better options for housing their entire families.

I support the position of the Hawaiian Humane Society on this Bill.
Testimony/Anne Forshey/annejforshey@gmail.com/Ewa Beach, HI 96706

SB-2874

Submitted on: 2/12/2024 8:30:15 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Lorene Maki	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair and members of the Committee. I strongly support a tax credit. This measure wil serve to create more available housing.

Thank you for the opportunity to testify.

Lorene Maki

SB-2874

Submitted on: 2/12/2024 8:53:10 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Carole R. Richelieu	Individual	Support	Written Testimony Only

Comments:

very imporant for tenants hoping to find pet-friendly housing.

SB-2874

Submitted on: 2/12/2024 9:11:05 AM

Testimony for CPN on 2/13/2024 9:20:00 AM

Submitted By	Organization	Testifier Position	Testify
Renee Rabb	Individual	Support	Written Testimony Only

Comments:

What happened on Maui was a tragedy beyond belief. Senator McKelvey's bill, SB2874, is a step towards healing for many families. This bill will allow landlords a tax credit to encourage them to rent to families with pets. Keeping their pets with them will not only assist grieving families, but also will reduce the number of abandoned animals. This seems like a kind win-win in the face of disaster.

Mahalo,

Renee Rabb

Hawaiian Paradise Park

Keaau, HI 96749