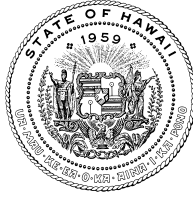


JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



DEAN MINAKAMI  
EXECUTIVE DIRECTOR

## STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

### HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300

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FAX: (808) 587-0600

Statement of

**DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation  
Before the

### SENATE COMMITTEE ON HOUSING

AND

### SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

February 03, 2026 at 9:31 a.m.

State Capitol, Room 229

In consideration of

**SENATE BILL 2191**

**RELATING TO LIMITED-PROFIT HOUSING ASSOCIATIONS.**

Chair Chang and Keohokalole, Vice Chair Hashimoto and Fukunaga, and members of the Committee.

HHFDC **supports** Senate Bill 2191, which establishes a framework for limited-profit housing associations and creates the Limited-Profit Housing Council to oversee their governance.

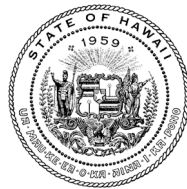
This bill advances the State's affordable housing strategy by creating a new framework for limited-profit housing associations dedicated to providing housing exclusively for qualified residents. The establishment of the Limit-Profit Housing Council provides oversight and accountability, which align with the State's goal of leveraging innovative models to expand housing supply.

HHFDC is named as a co-chair of the Limited-Profit Housing Council under this bill, and we fully commit to participating actively in the council's work.

Thank you for the opportunity to testify.

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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**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. 2191, Relating to Limited-Profit Housing Associations.

**BEFORE THE:**

Senate Committees on Commerce and Consumer Protection and Housing

**DATE:** Tuesday, February 3, 2026

**TIME:** 9:31 a.m.

**LOCATION:** State Capitol, Room 229

Chairs Keohokalole and Chang, Vice-Chairs Fukunaga and Hashimoto, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2191 for your consideration.

Sections 1 and 2 of S.B. 2191 create, under chapter 201, Hawaii Revised Statutes (HRS), a limited-profit housing council within the department of business, economic development, and tourism, and establishes an organizational and regulatory framework for the creation and operation of limited-profit housing associations, which are intended to primarily construct, rehabilitate, and manage affordable housing.

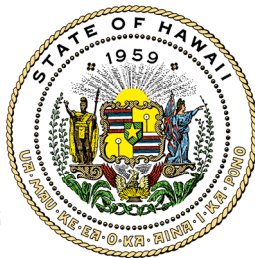
Section 3 of S.B. 2191 adds a new section to chapter 235, (HRS), establishing an exclusion from Hawai'i income tax for income earned from a limited-profit housing association that would otherwise be taxed as ordinary income, provided that income not used for primary business activities under section \_\_\_\_-6(a) will be subject to tax if the association cannot verify that the income has been "properly utilized in five years for the primary businesses activities of the association."

Section 6 of the bill also amends the conveyance tax in Chapter 247, HRS, to exempt any conveyance to or by a limited-profit housing association.

The bill has defective effective dates of July 1, 2050, provided that the relevant tax provisions mentioned above take effect on January 1, 2051, with the income tax exemption applying to all taxable years beginning after December 31, 2050.

DOTAX requests that if this bill is enacted, the effective dates be amended so that section 3 applies to taxable years beginning after December 31, 2025, and section 6 takes effect on January 1, 2027, to allow for the necessary form and instruction changes needed for implementation of tax-related sections.

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



SENATE COMMITTEE ON HOUSING  
The Honorable Stanley Chang, Chair  
The Honorable Troy N. Hashimoto, Vice Chair

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
The Honorable Jarrett Keohokalole, Chair  
The Honorable Carol Fukunaga, Vice Chair

**S.B. NO. 2191, RELATING TO LIMITED-PROFIT HOUSING ASSOCIATIONS**

Hearing: Tuesday, February 3, 2026, 9:31 a.m.

The Office of the Auditor offers comments on S.B. No. 2191, which establishes an organizational, tax, and regulatory framework for limited-profit housing associations and establishes a Limited-Profit Housing Council to oversee limited-profit housing associations.

The Office of the Auditor is tasked with annual reviews of certain tax exemptions, exclusions, credits, and deductions. Section 3 of this bill creates an exclusion from tax for income earned by a limited-profit housing association, while Section 4 of this bill amends Section 23-94, Hawai'i Revised Statutes ("HRS"), adding this new tax exclusion to one of our upcoming reviews.

In our annual reviews of tax exclusions, credits, and deductions, we are asked to determine whether a tax provision "has achieved and continues to achieve the purpose for which it was enacted by the legislature" and "whether the benefit, if any, outweighs the cost" of the tax provision per Section 23-91, HRS. To date, we have faced challenges in making these assessments. In many cases, there is no clear statement of purpose from the Legislature when creating a tax provision, nor any clear benchmarks to quantify whether the tax incentive is meeting its intended purpose. Therefore, **we ask that the committees include (1) a statement of purpose for this tax incentive, and (2) clear measurables or target metrics to determine whether this tax incentive is meeting its intended purpose.**

# TAX FOUNDATION OF HAWAII

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SUBJECT: NET INCOME, CONVEYANCE, Limited-Profit Housing Associations

BILL NUMBER: SB 2191

INTRODUCED BY: CHANG, FEVELLA, KEOHOKALOLE, KIDANI, MCKELVEY

EXECUTIVE SUMMARY: Establishes an organizational, tax, and regulatory framework for limited-profit housing associations. Establishes the Limited-Profit Housing Council to oversee limited-profit housing associations. Effective 7/1/2050.

SYNOPSIS: Adds a new section to chapter 201, HRS, establishing the Limited-Profit Housing Council.

Adds a new chapter to the HRS establishing limited-profit housing associations. Limited-profit housing associations shall primarily construct, rehabilitate, and manage housing exclusively for qualified residents. Additional primary activities of an association may include the large-scale renovation and management of the housing of other limited-profit housing associations. The primary purpose of such an association is to provide long-term housing exclusively for qualified residents and that the corporation shall devote its assets, including its shareholders' equity, to generate housing exclusively for qualified residents and shall regularly check and monitor its business operations to ensure that they are aligned with this primary purpose. The association is to charge only a fixed price for the use of its housing units exclusively for qualified residents. The fixed price shall be at a level neither higher nor lower than necessary to cover the costs for constructing and operating the building, while considering the actual and reasonable costs of managing the housing units exclusively for qualified residents, including the formation of reserves. The fixed price shall be based on: (1) Construction expenses, including the financing of the housing units exclusively for qualified residents; (2) Operating expenses and management costs; and (3) Replacement reserves. A tenant or buyer who disagrees with the price is entitled to have it reviewed in a court of law.

Adds a new section to chapter 235, HRS, providing for the exclusion of all income earned from a limited-profit housing association that would otherwise be taxed as ordinary income.

Amends section 247-3, HRS, to add an exemption from the conveyance tax for any document or instrument conveying real property, or any interest therein, to or by a limited-profit housing association

EFFECTIVE DATE: 2/1/2026

STAFF COMMENTS: The Foundation's comments will be limited to the tax provisions of this bill.

Enacting a tax exemption or tax exclusion can be like a blank check you give to someone you don't know. You don't know what you are paying for, and you don't know how much you are spending. A grant program, with a specific number of dollars committed to the effort, would be preferable because it would provide some accountability for the taxpayer funds being utilized to support this idea.

Digested: 2/1/2026