

JAN 21 2026

A BILL FOR AN ACT

RELATING TO LIMITED-PROFIT HOUSING ASSOCIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. Chapter 201, Hawaii Revised Statutes, is
3 amended by adding a new section to be appropriately designated
4 and to read as follows:

5 "201- Limited-profit housing council. (a) There is
6 established the limited-profit housing council within the
7 department of business, economic development, and tourism for
8 administrative purposes, to oversee and administer the
9 establishment and governance of limited-profit housing
10 associations in the State.

11 (b) The limited-profit housing council shall be composed
12 of the following members:

13 (1) The chairs of the standing committees of the
14 legislature having subject matter jurisdiction over
15 housing or the chairs' designees;



1 (2) The executive director of the Hawaii housing finance
2 and development corporation, who shall serve as co-
3 chair;

4 (3) The executive director of the Hawaii public housing
5 authority, who shall serve as co-chair;

6 (4) The director of business, economic development, and
7 tourism or the director's designee;

8 (5) The attorney general or the attorney general's
9 designee;

10 (6) The director of taxation or the director's designee;

11 (7) A representative from the city and county of
12 Honolulu's office of housing who has experience in the
13 development of housing exclusively for qualified
14 residents;

15 (8) A representative from the county of Maui's department
16 of housing who has experience in the development of
17 housing exclusively for qualified residents;

18 (9) A representative from the county of Kauai's housing
19 agency who has experience in the development of
20 housing exclusively for qualified residents; and



1 (10) A representative from the county of Hawaii's office of
2 housing and community development who has experience
3 in the development of housing exclusively for
4 qualified residents.

14 (e) The limited-profit housing council may adopt rules
15 under chapter 91 necessary to effectuate this section.

16 (f) For the purposes of this section, "qualified resident"
17 has the same meaning as in section 201H-32."

PART II

19 SECTION 2. The Hawaii Revised Statutes is amended by
20 adding a new chapter to be appropriately designated and to read
21 as follows:



1

"CHAPTER

2

LIMITED-PROFIT HOUSING ASSOCIATIONS

3

S -1 Purpose. The purpose of this chapter is to create long-term housing exclusively for qualified residents through the establishment of limited-profit housing associations.

6

S -2 Definitions. As used in this chapter:

7

"Contractor" has the same meaning as in section 444-1.

8

"Financial relationship" means a relationship between a person and a contractor, where:

10

(1) The person is, or has been within the last three years, an employee of a contractor, its parent company, or its subsidiaries;

13

(2) The person is related by blood, marriage, or adoption to; is a party to a civil union with; is a reciprocal beneficiary or household member of; or resides with a contractor or an officer or director of a contractor, its parent company, or its subsidiaries; or

18

(3) The person, or an entity of which the person is a director, officer, or manager, owns beneficially or of record five per cent or more of the outstanding equity



1 interest or the outstanding shares of a contractor,
2 its parent company, or its subsidiaries.

3 "Limited-profit housing association" or "association" means
4 a domestic corporation, incorporated under chapter 414, that is
5 approved by the limited-profit housing council to act as a
6 limited-profit housing association and whose status as a
7 limited-profit housing association has not been terminated as
8 provided in this chapter.

9 "Limited-profit housing council" or "council" means the
10 council established pursuant to section 201- .

11 "Qualified resident" has the same meaning as in section
12 201H-32.

13 -3 Establishment; standards of conduct; termination.

14 (a) A domestic corporation, incorporated under chapter 414, may
15 establish itself as a limited-profit housing association upon
16 approval from the council. If a corporation that is not a
17 limited-profit housing association is a party to a merger,
18 consolidation, or division, or is the exchanging corporation in
19 a share exchange, and the surviving, new, or any resulting
20 corporation in the merger, consolidation, division, or share
21 exchange is to be a limited-profit housing association, then the



1 plan of merger, consolidation, division, or share exchange shall
2 not be effective unless approved by the council.

3 (b) Upon approval of its limited-profit housing
4 association status, the corporation shall include in its
5 articles, or amend its articles to include, a statement that the
6 corporation's primary purpose is to provide long-term housing
7 exclusively for qualified residents and that the corporation
8 shall devote its assets, including its shareholders' equity, to
9 generate housing exclusively for qualified residents and shall
10 regularly check and monitor its business operations to ensure
11 that they are aligned with this primary purpose.

12 (c) All directors and officers of an association shall be
13 independent of and shall have no financial relationship with any
14 contractor of the association.

15 (d) The director of an association shall not be personally
16 liable for monetary damages for any action taken as a director;
17 provided that the director performed the duties of the
18 director's office in compliance with the general standards of
19 conduct pursuant to section 414-221.

20 (e) The officer of an association shall not be personally
21 liable for monetary damages for any action taken as an officer;



1 provided that the officer performed the duties of the position
2 in compliance with the general standards of conduct pursuant to
3 section 414-233.

4 (f) Upon proper notice, an association that is
5 noncompliant with this chapter shall have its status as a
6 limited-profit housing association revoked.

7 (g) An association may elect to terminate its status as a
8 limited-profit housing association and cease to be subject to
9 this chapter upon approval from the council. If a plan of
10 merger, consolidation, division, or share exchange would have
11 the effect of terminating the status of a corporation as a
12 limited-profit housing association, the plan shall not be
13 effective unless it is approved by the council.

14 **§ -4 Leasehold purchase prices; rental prices.** (a) A
15 limited-profit housing association shall charge only a fixed
16 price for the use of its housing units exclusively for qualified
17 residents. The fixed price shall be at a level neither higher
18 nor lower than necessary to cover the costs for constructing and
19 operating the building, while considering the actual and
20 reasonable costs of managing the housing units exclusively for



1 qualified residents, including the formation of reserves. The
2 fixed price shall be based on the following factors:

3 (1) Construction expenses, including the financing of the
4 housing units exclusively for qualified residents;
5 (2) Operating expenses and management costs; and
6 (3) Replacement reserves.

7 (b) If a tenant or buyer of a housing unit exclusively for
8 qualified residents that is built by an association disagrees
9 with the cost of the affordable housing unit, the tenant or
10 buyer may have the amount of the fixed price reviewed by a court
11 of law.

12 § -5 **Asset management.** (a) The revenues generated by a
13 limited-profit housing association shall be reserved and placed
14 in a revolving fund where the moneys shall be used only for
15 limited business activities as provided under section -6.

16 (b) The association shall only distribute its profits once
17 a year. The profit distributed shall not exceed the permissible
18 interest rate for shareholder equity as determined by the
19 council.

20 (c) The dividend paid to a member or shareholder that
21 withdraws from the association shall be only the amount of the



1 nominal value of the member's or shareholder's capital
2 contribution.

3 **S -6 Limited business activities.** (a) Limited-profit
4 housing associations shall primarily construct, rehabilitate,
5 and manage housing exclusively for qualified residents.

6 Additional primary activities of an association may include the
7 large-scale renovation and management of the housing of other
8 limited-profit housing associations. All activities performed
9 under this subsection shall be performed under the name of the
10 association.

11 (b) With written approval from the council, an association
12 may perform other housing-related services.

13 (c) Any interruption in building activities by an
14 association shall require the explicit permission of the
15 council."

16 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "**§235- Income earned by a limited-profit housing**
20 **association.** Notwithstanding any law to the contrary, all
21 **income earned from a limited-profit housing association**



1 established pursuant to chapter that would otherwise be
2 taxed as ordinary income shall be excluded from taxation under
3 this chapter; provided that any income that is not used for
4 primary business activities under section -6(a) shall be
5 subject to taxation under this chapter if the limited-profit
6 housing association is unable to verify that the income has been
7 properly utilized in five years for the primary business
8 activities of the association."

9 SECTION 4. Section 23-94, Hawaii Revised Statutes, is
10 amended by amending subsection (c) to read as follows:

11 "(c) This section shall apply to the following:
12 (1) Section 235-4.5(a)--Exclusion of intangible income
13 earned by a trust sited in this State;
14 (2) Section 235-4.5(b)--Exclusion of intangible income of
15 a foreign corporation owned by a trust sited in this
16 State;
17 (3) Section 235-4.5(c)--Credit to a resident beneficiary
18 of a trust for income taxes paid by the trust to
19 another state;
20 (4) Sections 235-55 and 235-129--Credit for income taxes
21 paid by a resident taxpayer to another jurisdiction;





1 "(b) The civil service to which this chapter applies shall
2 comprise all positions in the State now existing or hereafter
3 established and embrace all personal services performed for the
4 State, except the following:

5 (1) Commissioned and enlisted personnel of the Hawaii
6 National Guard and positions in the Hawaii National
7 Guard that are required by state or federal laws or
8 regulations or orders of the National Guard to be
9 filled from those commissioned or enlisted personnel;

10 (2) Positions filled by persons employed by contract where
11 the director of human resources development has
12 certified that the service is special or unique or is
13 essential to the public interest and that, because of
14 circumstances surrounding its fulfillment, personnel
15 to perform the service cannot be obtained through
16 normal civil service recruitment procedures. Any
17 contract may be for any period not exceeding one year;

18 (3) Positions that must be filled without delay to comply
19 with a court order or decree if the director
20 determines that recruitment through normal recruitment
21 civil service procedures would result in delay or



1 noncompliance, such as the Felix-Cayetano consent
2 decree;

5 (5) Employees in the office of the governor and office of
6 the lieutenant governor, and household employees at
7 Washington Place;

8 (6) Positions filled by popular vote;

13 (8) Judges, referees, receivers, masters, jurors, notaries
14 public, land court examiners, court commissioners, and
15 attorneys appointed by a state court for a special
16 temporary service;

17 (9) One bailiff for the chief justice of the supreme court
18 who shall have the powers and duties of a court
19 officer and bailiff under section 606-14; one
20 secretary or clerk for each justice of the supreme
21 court, each judge of the intermediate appellate court,



1 and each judge of the circuit court; one secretary for
2 the judicial council; one deputy administrative
3 director of the courts; three law clerks for the chief
4 justice of the supreme court, two law clerks for each
5 associate justice of the supreme court and each judge
6 of the intermediate appellate court, one law clerk for
7 each judge of the circuit court, two additional law
8 clerks for the civil administrative judge of the
9 circuit court of the first circuit, two additional law
10 clerks for the criminal administrative judge of the
11 circuit court of the first circuit, one additional law
12 clerk for the senior judge of the family court of the
13 first circuit, two additional law clerks for the civil
14 motions judge of the circuit court of the first
15 circuit, two additional law clerks for the criminal
16 motions judge of the circuit court of the first
17 circuit, and two law clerks for the administrative
18 judge of the district court of the first circuit; and
19 one private secretary for the administrative director
20 of the courts, the deputy administrative director of
21 the courts, each department head, each deputy or first



assistant, and each additional deputy, or assistant deputy, or assistant defined in paragraph (16);

(10) First deputy and deputy attorneys general, the administrative services manager of the department of the attorney general, one secretary for the administrative services manager, an administrator and any support staff for the criminal and juvenile justice resources coordination functions, and law clerks;

(11) (A) Teachers, principals, vice-principals, complex area superintendents, deputy and assistant superintendents, other certificated personnel, and no more than twenty noncertificated administrative, professional, and technical personnel not engaged in instructional work;

(B) Effective July 1, 2003, teaching assistants, educational assistants, bilingual or bicultural school-home assistants, school psychologists, psychological examiners, speech pathologists, athletic health care trainers, alternative school work study assistants, alternative school





1 (C) Positions that provide work experience training
2 or temporary public service employment that are
3 filled by persons entering the workforce or
4 persons transitioning into other careers under
5 programs such as the federal Workforce Investment
6 Act of 1998, as amended, or the Senior Community
7 Service Employment Program of the Employment and
8 Training Administration of the United States
9 Department of Labor, or under other similar state
10 programs;

11 (14) A custodian or guide at Iolani Palace, the Royal
12 Mausoleum, and Hulihee Palace;

13 (15) Positions filled by persons employed on a fee,
14 contract, or piecework basis, who may lawfully perform
15 their duties concurrently with their private business
16 or profession or other private employment and whose
17 duties require only a portion of their time, if it is
18 impracticable to ascertain or anticipate the portion
19 of time to be devoted to the service of the State;

20 (16) Positions of first deputies or first assistants of
21 each department head appointed under or in the manner



1 provided in section 6, article V, of the Hawaii State
2 Constitution; three additional deputies or assistants
3 either in charge of the highways, harbors, and
4 airports divisions or other functions within the
5 department of transportation as may be assigned by the
6 director of transportation, with the approval of the
7 governor; one additional deputy in the department of
8 human services either in charge of welfare or other
9 functions within the department as may be assigned by
10 the director of human services; four additional
11 deputies in the department of health, each in charge
12 of one of the following: behavioral health,
13 environmental health, hospitals, and health resources
14 administration, including other functions within the
15 department as may be assigned by the director of
16 health, with the approval of the governor; two
17 additional deputies in charge of the law enforcement
18 programs, administration, or other functions within
19 the department of law enforcement as may be assigned
20 by the director of law enforcement, with the approval
21 of the governor; three additional deputies each in



1 charge of the correctional institutions,
2 rehabilitation services and programs, and
3 administration or other functions within the
4 department of corrections and rehabilitation as may be
5 assigned by the director of corrections and
6 rehabilitation, with the approval of the governor; two
7 administrative assistants to the state librarian; and
8 an administrative assistant to the superintendent of
9 education;

10 (17) Positions specifically exempted from this part by any
11 other law; provided that:

12 (A) Any exemption created after July 1, 2014, shall
13 expire three years after its enactment unless
14 affirmatively extended by an act of the
15 legislature; and

16 (B) All of the positions defined by paragraph (9)
17 shall be included in the position classification
18 plan;

19 (18) Positions in the state foster grandparent program and
20 positions for temporary employment of senior citizens



1 in occupations in which there is a severe personnel
2 shortage or in special projects;

3 (19) Household employees at the official residence of the
4 president of the university of Hawaii;

5 (20) Employees in the department of education engaged in
6 the supervision of students during meal periods in the
7 distribution, collection, and counting of meal
8 tickets, and in the cleaning of classrooms after
9 school hours on a less than half-time basis;

10 (21) Employees hired under the tenant hire program of the
11 Hawaii public housing authority; provided that no more
12 than twenty-six per cent of the authority's workforce
13 in any housing project maintained or operated by the
14 authority shall be hired under the tenant hire
15 program;

16 (22) Positions of the federally funded expanded food and
17 nutrition program of the university of Hawaii that
18 require the hiring of nutrition program assistants who
19 live in the areas they serve;

20 (23) Positions filled by persons with severe disabilities
21 who are certified by the state vocational



1 rehabilitation office that they are able to perform
2 safely the duties of the positions;

3 (24) The sheriff;

4 (25) A gender and other fairness coordinator hired by the
5 judiciary;

6 (26) Positions in the Hawaii National Guard youth and adult
7 education programs;

8 (27) In the Hawaii state energy office in the department of
9 business, economic development, and tourism, all
10 energy program managers, energy program specialists,
11 energy program assistants, and energy analysts;

12 (28) Administrative appeals hearing officers in the
13 department of human services;

14 (29) In the Med-QUEST division of the department of human
15 services, the division administrator, finance officer,
16 health care services branch administrator, medical
17 director, and clinical standards administrator;

18 (30) In the director's office of the department of human
19 services, the enterprise officer, information security
20 and privacy compliance officer, security and privacy
21 compliance engineer, security and privacy compliance



1 analyst, information technology implementation
2 manager, assistant information technology
3 implementation manager, resource manager, community or
4 project development director, policy director, special
5 assistant to the director, and limited English
6 proficiency project manager or coordinator;

7 (31) The Alzheimer's disease and related dementia services
8 coordinator in the executive office on aging;

9 (32) In the Hawaii emergency management agency, the
10 executive officer, public information officer, civil
11 defense administrative officer, branch chiefs, and
12 emergency operations center state warning point
13 personnel; provided that for state warning point
14 personnel, the director shall determine that
15 recruitment through normal civil service recruitment
16 procedures would result in delay or noncompliance;

17 (33) The executive director and seven full-time
18 administrative positions of the school facilities
19 authority;

20 (34) Positions in the Mauna Kea stewardship and oversight
21 authority;



- 1 (35) In the office of homeland security of the department
- 2 of law enforcement, the statewide interoperable
- 3 communications coordinator;
- 4 (36) In the social services division of the department of
- 5 human services, the business technology analyst;
- 6 (37) The executive director and staff of the 911 board;
- 7 (38) The software developer supervisor and senior software
- 8 developers in the department of taxation;
- 9 (39) In the department of law enforcement, five Commission
- 10 on Accreditation for Law Enforcement Agencies, Inc.,
- 11 coordinator positions;
- 12 (40) The state fire marshal and deputy state fire marshal
- 13 in the office of the state fire marshal;
- 14 (41) The administrator for the law enforcement standards
- 15 board;
- 16 (42) In the office of the director of taxation, the data
- 17 privacy officer and tax business analysts; [and]
- 18 [+] (43) [+] All positions filled by the Hawaii tourism authority
- 19 within the department of business, economic
- 20 development, and tourism[.]; and



1 (44) The administrator for the limited-profit housing
2 council.

3 The director shall determine the applicability of this
4 section to specific positions.

5 Nothing in this section shall be deemed to affect the civil
6 service status of any incumbent as it existed on July 1, 1955."

7 SECTION 6. Section 247-3, Hawaii Revised Statutes, is
8 amended to read as follows:

9 **"§247-3 Exemptions.** The tax imposed by section 247-1
10 shall not apply to:

11 (1) Any document or instrument that is executed prior to
12 January 1, 1967;

13 (2) Any document or instrument that is given to secure a
14 debt or obligation;

15 (3) Any document or instrument that only confirms or
16 corrects a deed, lease, sublease, assignment,
17 transfer, or conveyance previously recorded or filed;

18 (4) Any document or instrument between husband and wife,
19 reciprocal beneficiaries, or parent and child, in
20 which only a nominal consideration is paid;



- 1 (5) Any document or instrument in which there is a
- 2 consideration of \$100 or less paid or to be paid;
- 3 (6) Any document or instrument conveying real property
- 4 that is executed pursuant to an agreement of sale, and
- 5 where applicable, any assignment of the agreement of
- 6 sale, or assignments thereof; provided that the taxes
- 7 under this chapter have been fully paid upon the
- 8 agreement of sale, and where applicable, upon [such]
- 9 the assignment or assignments of agreements of sale;
- 10 (7) Any deed, lease, sublease, assignment of lease,
- 11 agreement of sale, assignment of agreement of sale,
- 12 instrument or writing [~~in which~~] that the United
- 13 States or any agency or instrumentality thereof or the
- 14 State or any agency, instrumentality, or governmental
- 15 or political subdivision thereof are the only parties
- 16 thereto;
- 17 (8) Any document or instrument executed pursuant to a tax
- 18 sale conducted by the United States or any agency or
- 19 instrumentality thereof or the State or any agency,
- 20 instrumentality, or governmental or political



1 subdivision thereof for delinquent taxes or
2 assessments;

3 (9) Any document or instrument conveying real property to
4 the United States or any agency or instrumentality
5 thereof or the State or any agency, instrumentality,
6 or governmental or political subdivision thereof
7 pursuant to the threat of the exercise or the exercise
8 of the power of eminent domain;

9 (10) Any document or instrument that solely conveys or
10 grants an easement or easements;

11 (11) Any document or instrument whereby owners partition
12 their property, whether by mutual agreement or
13 judicial action; provided that the value of each
14 owner's interest in the property after partition is
15 equal in value to that owner's interest before
16 partition;

17 (12) Any document or instrument between marital partners or
18 reciprocal beneficiaries who are parties to a divorce
19 action or termination of reciprocal beneficiary
20 relationship that is executed pursuant to an order of



1 the court in the divorce action or termination of
2 reciprocal beneficiary relationship;

3 (13) Any document or instrument conveying real property
4 from a testamentary trust to a beneficiary under the
5 trust;

6 (14) Any document or instrument conveying real property
7 from a grantor to the grantor's revocable living
8 trust, or from a grantor's revocable living trust to
9 the grantor as beneficiary of the trust;

10 (15) Any document or instrument conveying real property, or
11 any interest therein, from an entity that is a party
12 to a merger or consolidation under chapter 414, 414D,
13 415A, 421, 421C, 425, 425E, or 428 to the surviving or
14 new entity;

15 (16) Any document or instrument conveying real property, or
16 any interest therein, from a dissolving limited
17 partnership to its corporate general partner that
18 owns, directly or indirectly, at least a ninety per
19 cent interest in the partnership, determined by
20 applying section 318 (with respect to constructive
21 ownership of stock) of the federal Internal Revenue



PART III

11 SECTION 7. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 8. This Act shall take effect on July 1, 2050;

14 provided that:

15 (1) Sections 3, 4, and 6 shall take effect on January 1,
16 2051; and
17 (2) Section 3 shall apply to taxable years beginning after
18 December 31, 2050.

INTRODUCED BY.



S.B. NO. 2191

Report Title:

Housing; Limited-Profit Housing Associations; Limited-Profit Housing Council; Qualified Residents

Description:

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.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

