

Honolulu, Hawaii

FEB 20 , 2026

RE: H.B. No. 2385
H.D. 2

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 2385, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose of this measure is to authorize the Hawaii Housing Finance and Development Corporation to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation; Grassroot Institute of Hawaii; and Maui Chamber of Commerce. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of the Attorney General; Department of Taxation; and Tax Foundation of Hawaii.

Your Committee finds that Hawaii's shortage of affordable and workforce housing continues to constrain economic growth, limit labor force stability, and increase development costs statewide. Your Committee further finds that providing general excise tax exemptions for county housing incentive program projects will lower overall project costs, enhance financial feasibility, and better align State and county incentive structures. This measure



strengthens public-sector financing partnerships and expands the tools available to accelerate the development of affordable housing needed to support the State's long-term economic vitality.

Your Committee notes the concerns raised by the Department of the Attorney General in testimony, that certain language in this measure may introduce ambiguity regarding the scope of county authority. Amendments to this measure are therefore necessary to preserve the counties' existing authority, while also reserving the newly added certification authority under this measure exclusively to the Hawaii Housing Finance and Development Corporation.

Your Committee has amended this measure by:

- (1) Removing a provision that specified that county projects initially approved and certified prior to July 1, 2026, would be granted an exemption from general excise or receipts taxes;
- (2) Clarifying that counties do not have the authority to approve and certify general excise tax exemptions for certain housing projects that are developed under county assistance programs approved by the Hawaii Housing Finance and Development Corporation; 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 Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2385, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 2385, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,



GREGGOR ILAGAN, Chair



