

STAND. COM. REP. NO. **3275**

Honolulu, Hawaii

MAR 30 2026

RE: H.B. No. 2385
H.D. 3
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2385, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent 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 Hawaii Housing Finance and Development Corporation, AARP Hawaii, Grassroot Institute of Hawaii, Maui Chamber of Commerce, Avalon Development Company LLC, Centre Urban Real Estate, and one individual.

Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that the State will need approximately 64,490 new housing units by the end of 2027 to meet projected demand. To meet that demand, both state and county agencies must act. However, rising construction costs, high interest rates, and



limited land availability have made it nearly impossible to deliver housing at the scale and affordability required. In addition to these existing costs, developers must also pay the general excise tax (GET), which is applied to almost all construction contracts. Given the role of the GET in raising construction costs in the State, exemptions to the GET can provide a powerful incentive for mixed-income housing project development. This measure authorizes the Hawaii Housing Finance and Development Corporation to provide those GET exemptions to accelerate construction and increase affordability.

Your Committee, however, notes its reluctance to rely on giving away free money to developers in the form of GET exemptions to stimulate housing construction and that it is essential for the State to focus on more fiscally sustainable programs that compensate the State and its taxpayers appropriately for investments. Your Committee respectfully requests that these concerns be considered as this measure moves through the legislative process.

Your Committee has amended this measure by:

- (1) Making the exemptions to the general excise tax for projects applicable to:
 - (A) All general excise tax and use tax costs, including non-contract costs; and
 - (B) Taxable years beginning after December 31, 2026;
- (2) Inserting a sunset date of July 1, 2031; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 2385, H.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2385, H.D. 3, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Housing,

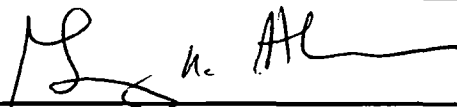


STANLEY CHANG, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

Record of Votes
Committee on Housing
HOU

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2385, AD3	HOU, WAM	03/17/26		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHANG, Stanley (C)	/			
HASHIMOTO, Troy N. (VC)	/			
ELEFANTE, Brandon J.C.	/			
RHOADS, Karl	/			
FEVELLA, Kurt				/
TOTAL	4	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes