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
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
February 27, 2026 at 2:00 p.m.
State Capitol, Room 308

In consideration of
HOUSE BILL 1756 HOUSE DRAFT 1
RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM.

Chair Todd, Vice Chair Takenouchi, and members of the Committee.

HHFDC **supports** House Bill 1756 House Draft 1, which enhances Hawaii's Individual Housing Account (IHA) Program to better support first time- homebuyers.

Hawaii's housing crisis continues to be one of the State's most pressing social and economic challenges, and saving for a down payment remains a major barrier for many residents hoping to achieve homeownership. While median housing prices have increased since the IHA program was created, the allowable contribution and deduction limits have remained the same.

This bill takes long-needed steps to update the IHA program by increasing both the maximum annual tax-deductible contribution and the total lifetime contribution limits. This adjustment recognizes the dramatic escalation in housing costs and allows the program to serve its original purpose: helping residents save in a meaningful way for their first principal residence.

This bill offers several important benefits:

1. Improves affordability for first time- homebuyers by allowing larger pre-tax savings for down payments and closing costs.

2. Reflects current housing market realities, where previous contribution limits are no longer adequate for meaningful savings.

3. Continues to ensure appropriate safeguards: use of funds for a first principal residence, penalties for early withdrawals, and trustee verification of eligible expenditures.

Combined with other State housing initiatives, the enhanced IHA program can play a meaningful role in supporting local families who seek the opportunity through homeownership.

Thank you for the opportunity to provide testimony.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 1756, H.D.1, Relating to the Individual Housing Account Program

BEFORE THE:
House Committee on Finance

DATE:	Friday, February 27, 2026
TIME:	2:00 p.m.
LOCATION:	State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1756, H.D.1, for your consideration.

Section 2 of H.B. 1756, H.D.1, amends section 235-5.5, Hawaii Revised Statutes (HRS), which allows a deduction for contributions to an individual housing account for the purchase of a first principal residence. The maximum deduction amount is amended from $5,000 to an unspecified amount for individual filers, and from $10,000 to an unspecified amount for joint filers. In addition, the bill amends the total allowable contributions per individual across all taxable years from its present cap of $25,000 to an unspecified amount.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an individual housing account.

The measure has a defective effective date of July 1, 3000, and applies to taxable years beginning after December 31, 2026.

DOTAX can implement changes to the cap amounts in section 235-5.5, HRS, for taxable years beginning after December 31, 2026.

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

OFFICE OF HAWAIIAN AFFAIRS

ʻŌlelo Hōʻike ʻAha Kau Kānāwai

HOUSE BILL 1756 HD1

RELATING TO THE INDIVIDUAL HOUSING PROGRAM

Ke Kōmike Hale o ka ʻOihana ʻImi Kālā
(House Committee on Finance)

Ke Kapitala ʻo Hawaiʻi
(Hawaiʻi State Capitol)

Pepeluali 27th, 2026 2:00pm Lumi 308

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee on Finance:

The Office of Hawaiian Affairs (OHA) **SUPPORTS HB1756 HD1**, which updates Hawaiʻi's Individual Housing Account (IHA) program by increasing the maximum annual deduction and lifetime contribution limits to better reflect current housing prices and down-payment realities.

OHA has long supported policies that promote economic self-sufficiency, asset-building, and housing security for Native Hawaiians and other Hawaiʻi residents and specifically supported IHA's as a tool for stability[1]. One of the most persistent barriers to homeownership in Hawaiʻi is not the ability to make a monthly mortgage payment, but the ability to accumulate sufficient savings for a down payment and closing costs in a rapidly appreciating housing market. Individual housing accounts are a proven tool for addressing this barrier.

The Legislature originally established the IHA program to encourage purpose-driven saving for first-time homeownership, while including safeguards to ensure funds are used for owner-occupied housing in Hawaiʻi. However, the contributions limits currently used were set decades ago and no longer reflect today's housing costs. As a result, the IHA statute has lost much of its practical effectiveness for families attempting to save for their

[1] In 2018, OHA introduced HB1746/SB2135 (2018) as part of the agency's legislative package. If passed, these measures would have also updated IHA deductions.

first home. This measure restores the usefulness of the IHA program by updating the annual and lifetime contribution limits to levels that are meaningful relative to current home prices, while preserving existing guardrails. The bill continues to restrict use of funds to first time homeowners in Hawaiʻi, maintains penalties and tax recapture for misuse, and requires oversight before distributions are made. These features ensure that the tax benefit supports stable, owner-occupied housing rather than speculation.

Importantly, the IHA deduction allows participating households to reduce their state income tax liability while saving, which can help families maintain eligibility for other income-based tax credits and assistance programs as they work toward homeownership. This is particularly important for Native Hawaiian and working families who are striving to improve their financial stability without jeopardizing access to essential supports.

OHA acknowledges that expanding tax deductions may result in some reduction in general fund income tax revenues. However, any fiscal impact is likely to be limited and highly targeted. Participation in individual housing accounts requires sustained saving over time, and deducted funds are deposited into regulated monitored accounts that are ultimately reinvested directly into Hawaiʻi's local housing market. Funds withdrawn for non-housing purposes remain subject to tax recapture and penalties, ensuring the program functions as intended. This measure has long-term public benefits including increased housing stability, reduced displacement of local families, and improved opportunities for intergenerational wealth building. Updating the IHA program is a cost-effective way to strengthen Hawaiʻi's middle class and support pathways to homeownership without relying solely on new construction or large capital expenditures.

For these reasons, the Office of Hawaiian urges the Committee to **PASS** this bill.

Mahalo nui for the opportunity to testify.

Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

February 24, 2026

The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice Chair
Members of the House Committee on Finance

Hearing Date: February 27, 2026
Hearing Time: 2:00 pm
Hearing Place: Hawaii State Capitol, Conference Room 308

Re: HB 1756 HD1 Individual Housing Accounts

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

The MBAH **supports** an increase to the maximum allowable tax-deductible contribution amount on both a per-annum and total basis as proposed in HB1756. We support the amounts proposed in HB1756, prior to amendments.

To further encourage participation and use of the Individual Housing Account, the legislature might also consider removal of the additional ten per cent tax penalty if the property is sold before the 10-year anniversary. Many homebuyers may anticipate retaining a property for 10 years at time of purchase, but life events may happen that lead to earlier sale. Even if the property is sold before the 10-year anniversary, the full amount of the distribution will be taxed. This additional penalty is purely punitive and may discourage participation altogether. Accordingly, the following section would be deleted from Section 235-5.5 HRS as shown on row 18, Page 9 of 15 page pdf version of HB1756: "and in addition, the tax liability of the individual shall be increased by an amount equal to ten per cent of the total distribution from the individual housing account."

Thank you for the opportunity to present this testimony and for your consideration.

Victor Brock
Mortgage Bankers Association of Hawaii

HAWAI‘I REALTORS®

808-733-7060
808-737-4977
1259 A‘ala Street, Suite 300
Honolulu, HI 96817

February 27, 2026

The Honorable Chris Todd, Chair
House Committee on Finance
State Capitol, Conference Room 308 & Videoconference

RE: House Bill 1756, HD1, Relating to the Individual Housing Account Program

HEARING: Friday, February 27, 2026, at 2:00 p.m.

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai‘i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 10,000 members. HAR **supports** House Bill 1756, HD1, which for taxable years beginning after 12/31/2026, increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts. Effective 7/1/3000.

Saving for a downpayment for a home remains a significant challenge for many Hawaii residents seeking to become first-time homeowners. As of January 2026, the median statewide single-family home price is $1,010,000 and for condominiums it is $565,000.[1] Based on the median amounts, a 20% downpayment with a convention loan would be $202,000 and $113,000 respectively. Increasing the maximum annual deduction for individual housing accounts would better reflect today's housing prices and help expand access to homeownership for first-time homeowners.

Mahalo for the opportunity to provide testimony on this measure.

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[1] Hawai‘i REALTORS® from data provided by the MLS. (January 2026). Statewide Housing Trends. https://www.hawaiirealtors.com/housing-trends

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Enhance Limits for Individual Housing Accounts

BILL NUMBER: HB 1756 HD1

INTRODUCED BY: MATSUMOTO, ALCOS, GARCIA, GEDEON, MURAOKA, PIERICK, REYES ODA, SHIMIZU (House Minority Caucus)

EXECUTIVE SUMMARY: Updates the Individual Housing Account statute to reflect the current cost of housing down-payments more accurately.

SYNOPSIS: Amends HRS section 235-5.5(a) and (b) by

- Replacing a $5,000 maximum deduction from gross income paid by an individual taxpayer during the taxable year, ($10,000 for a married couple filing a joint return), with a limit of $ blank individual and $ blank for a joint return that is paid to an individual housing account established to provide funding for the purchase of the individual's first principal residence.
- Replacing the $25,000 maximum deduction for *all taxable years* with a lifetime limit of $ blank (regardless of filing status).
- Replacing the $5,000 ($10,000 joint returns) maximum contributions to an individual housing account trust with a limit of $ blank individual and $ blank for a joint return.

Repeals obsolete language in HRS section 235-5(f).

Deletes the director's requirement of furnishing proof of total disability in HRS section 235-5(g).

EFFECTIVE DATE: July 1, 3000 for taxable years beginning after December 31, 2026.

STAFF COMMENTS: Individual housing accounts were established by Act 285, SLH 1982. They were intended to operate like individual retirement accounts but used for a housing purchase rather than retirement security.

There is no similar provision at the federal level, so the interest in these accounts has been quite limited. In the Department of Taxation's 2006 report "Hawaii Income Patterns – Individuals," it is reported that 101 tax returns took advantage of the IHA deduction, with an average of around $4,570 taken per tax return. That appears to be last year in which IHA statistics were reported separately.

The idea of reviving IHA accounts does merit discussion, given that federal tax benefits of home ownership were significantly curtailed in the 2017 Tax Cuts and Jobs Act. Specifically, the mortgage interest deduction was limited to the interest on no more than $750,000 of home acquisition debt, and interest on home equity loans (not used for acquisition) was made entirely nondeductible.

The bill includes unspecified ceiling amounts and otherwise contains blanks for important information. The bill cannot be scored for revenue gain/loss in its current form, and cannot be vetted properly unless numbers are inserted.

We note that the Rules of the House and of the Senate specify that proceedings are to follow Mason's Manual of Legislative Procedure published by the National Conference of State Legislatures. Mason's Manual specifies, in section 416-8 of its 2020 edition, that "When proposals containing blanks are introduced, these must be filled before other motions to amend are entertained."

Digested: 2/25/2026

Housing Hawaiʻi's Future
PO Box 3043
Honolulu, HI 96802-3043

February 27, 2026

TO: Chair Todd and Members of the House Committee on Finance
RE: HB 1756 HD1, Relating to the Individual Housing Account Program

Dear Chair Todd and Committee Members,

Housing Hawaiʻi's Future is a nonprofit dedicated to creating opportunities for Hawaiʻi's next generation by ending the workforce housing shortage.

We strongly support House Bill 1756 HD1. This measure will update the IHA program to meet the needs of residents here and now in 2026.

Hawaiʻi has the lowest rate of homeownership for those 35 and under in the nation. The IHA, established in 1982 to help residents deduct a portion of their pre-tax income for a down payment, needs to be updated to function as a meaningful tool for residents in 2026.

Beginning in January 2027, the IHA program will be brought out of the eighties. This measure increases the maximum annual deduction for contributions and maximum account levels for IHAs. These figures, as updated in this measure, are adjusted to address the inflationary pressures that have made this program dormant for the past two decades.

Through IHAs, HB 1756 can help more residents accumulate the necessary funds for down payments and other housing-related expenses.

Let's make this program work for residents. **Please advance HB 1756 HD1.**

Thank you,

Lee Wang
Executive Director
Housing Hawaiʻi's Future
lee@hawaiisfuture.org

Perry Arrasmith
Director of Policy
Housing Hawaiʻi's Future
perry@hawaiisfuture.org

HB-1756-HD-1
Submitted on: 2/26/2026 12:21:20 AM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Justin Yago	Individual	Support	Written Testimony Only

Comments:

My name is Justin Yago, and I live in Honolulu, but i was born and raised in Maui and I went to Maui High School. I am writing to support this bill.

We all feel how high housing costs are, and adding more hurdles only makes it harder for people in my community to afford a place to live.

I live in a rent controlled community now but with familial and social pressures becoming more pressing, I hope to own a home soon to start a family. I think more should be done to push a tool as useful as IHA fund, as I was not even familiar with it. Additionally, now that I am aware of this, it would be most ideal to increase the maximum contribution to make it worthwhile to contribute to in the first place.

Please pass this bill. Thank you for the opportunity to submit testimony.

HB-1756-HD-1
Submitted on: 2/25/2026 3:31:55 PM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jesse Wilson	Individual	Support	Remotely Via Zoom

Comments:

I support measure HB1756.

In my profession, I help the people of Hawaiʻi make better financial decisions. For compliance reasons, I'm not allowed to say much else.

One of the things I help many 20- and 30-somethings with is their big financial goal of purchasing their first home. Most find achieving that goal somewhere between daunting and impossible.

Saving up for a large down payment (not to mention paying a mortgage and other property-related costs) is a multi-front battle. It includes building up checking and savings accounts. It includes saving in an individual investment account. It includes possibly getting help from family. It includes possibly tapping into (while managing taxes) retirement plans or Roth IRAs. It could include utilizing private and governmental programs for first-time homebuyers.

And, if SB2552 is passed, one more front in this battle could include an IHA.

An IHA is not some sort of silver bullet that will make homeownership in Hawaiʻi easy or simple.

It's just another tool in the toolbox that Generation Y, Z, and younger have to be able to make it in Hawaiʻi. And not just to survive but thrive.

And one more thing. Some may not like that potentially higher income earners in Hawaiʻi will be getting a tax deduction for their contributions.

I say great!

We need higher income-earning folks (especially locals who decide to plant roots in Hawaiʻi instead of leaving for greener mainland pastures) to stay. We need a solid tax base to build or rebuild infrastructure, to fund our schools, roads, and everything else.

I grew up with the saying, "it takes all kine".

Let’s face it, we need “all kine” efforts to keep well-earning, committed citizens to stay in our Islands, plant roots, raise families, contribute to their communities, and give Hawaiʻi a chance to flourish in an uncertain future.

How do we that? By advocating for and implementing, step by step, marginal improvements that make our Islands more livable, more affordable, and worth staying in. Bolstering the capacity of the IHA program and making it useful for both first-time homebuyers and viable for financial institutions is a good move forward.

Mahalo for reading and considering.

HB-1756-HD-1
Submitted on: 2/26/2026 10:14:19 AM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Faye Anne Miguel	Individual	Support	Written Testimony Only

Comments:

My name is Faye Miguel and I live in Kakaako. I went to Maui High School and I am writing to support this bill.

All costs are rising and it's getting harder to save up money to purchase a home. One of my biggest problems on why I haven't been able to purchase a home myself is having to front the big downpayment.

If the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts will be increased, it would be faster and easier for locals like me to purchase a home.

Please pass this bill. Thank you for the opportunity to submit testimony.

HB-1756-HD-1
Submitted on: 2/24/2026 3:06:12 PM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

I support this bill.

HB-1756-HD-1
Submitted on: 2/24/2026 4:02:54 PM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sheila Medeiros	Individual	Support	Written Testimony Only

Comments:

Testimony in Support of HB1756
Relating to the Individual Housing Account Program
House Finance Committee Hearing
February 27, 2026, 2:00 PM
Room 308 and via Zoom

Aloha Chair and Members of the House Finance Committee,

My name is Sheila Medeiros, and I am a resident of Kapolei, Hawaii.

I am writing in strong support of HB1756, which updates the Individual Housing Account program to help more Hawaii families save for a down payment and achieve homeownership.

Hawaii's housing affordability crisis continues to make it extremely difficult for working families to purchase a home. In communities like Kapolei, high home prices combined with the high cost of living mean that saving enough for a down payment often takes many years or feels out of reach entirely.

HB1756 provides meaningful relief by:

- Allowing pre-tax contributions of up to $20,000annually for individuals and $40,000 for joint filers.
- Increasing the total account maximum from $25,000 to $200,000.

These changes update the program to reflect current economic realities and enable faster, more effective saving dedicated to purchasing a primary residence. It is a low-cost, targeted incentive that builds on an existing framework without creating new programs or significant fiscal impact.

Increasing homeownership opportunities supports stronger communities, generational stability, and helps keep families rooted in Hawaii.

I respectfully urge the Committee to pass HB1756and make homeownership more attainable for our residents.

Mahalo nui loa for your consideration. I am available for any questions and can be reached at the contact information below.

Sincerely,
Sheila Medeiros
Kapolei, HI 96707

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1756-HD-1
Submitted on: 2/26/2026 9:14:17 PM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kalena Kimura	Individual	Support	Written Testimony Only

Comments:

My name is Kalena Kimura and I live in Kaimuki. I went to Kalani High School. I am writing to support this bill.

I have been trying to stay in Hawaiʻi for as long as I can but it's been hard to see a future. My sister had to move to because cost of living is so high and our parents could no longer house us. Housing costs are high and I can't save enough money with rising cost of living. I really think that the IHA would really be one step closer to buying a home and raising a family in it.

Please pass this bill. Thank you for the opportunity to submit testimony.

HB-1756-HD-1
Submitted on: 2/26/2026 9:06:38 PM
Testimony for FIN on 2/27/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Helen Park	Individual	Support	Written Testimony Only

Comments:

My name is Helen Park and I live in Kaimuki. I went to Kalani High School. I am writing to support this bill.

We all feel how high housing costs are, and adding more hurdles only makes it harder for people in my community to afford a place to live.

Increasing the individual housing account amount of tax free money would allow people like me a real chance to one day buy a house.

Please pass this bill. Thank you for the opportunity to submit testimony.