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STATE OF HAWAII
DEPARTMENT OF TAXATION

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DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1756 Relating to the Individual Housing Account Program

BEFORE THE:

House Committee on Housing

DATE: Wednesday, February 18, 2026

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 430

Chair Evslin, Vice-Chair Miyake, and Members of the Committee:

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

Section 2 of H.B. 1756, amends section 235-5.5, Hawaii Revised Statutes (HRS), to increase the allowable annual deductions for contributions to an individual housing account for the purchase of a first principal residence. The deduction is increased from \$5,000 to \$20,000 for individual filers, and from \$10,000 to \$40,000 for joint filers. In addition, the bill increases the total allowable contributions per individual across all taxable years from its present cap of \$25,000 to \$200,000.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an individual housing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 applies to taxable years beginning after December 31, 2026.

DOTAX can implement these changes with the currently proposed effective date.

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

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

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 \$20,000 individual and \$40,000 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 \$200,000 (regardless of filing status).
- Replacing the \$5,000 (\$10,000 joint returns) maximum contributions to an individual housing account trust with a limit of \$20,000 individual and \$40,000 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: 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

Re: HB 1756

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acquisition debt, and interest on home equity loans (not used for acquisition) was made entirely nondeductible.

Digested: 2/11/2026

February 18, 2026

The Honorable Luke A. Evslin, Chair

House Committee on Housing

State Capitol, Conference Room 430 & Videoconference

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

HEARING: Wednesday, February 18, 2026, at 10:00 a.m.

Aloha Chair Evslin, Vice Chair Miyake, 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, which updates the Individual Housing Account statute to reflect the current cost of housing down-payments more accurately

Saving for a downpayment for a home remains a significant challenge for many Hawaii residents seeking to become first-time homeowners. As of December 2025, the median statewide single-family home price is \$1,060,000 and for condominiums it is \$648,000.¹ Based on the median amounts, a 20% downpayment with a convention loan would be \$212,000 and \$129,600 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.

¹ Hawai'i REALTORS® from data provided by the MLS. (December 2025). Statewide Housing Trends.
<https://www.hawaiirealtors.com/housing-trends>



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

February 13, 2026

The Honorable Luke Evslin, Chair
The Honorable Tyson Miyake, Vice Chair
Members of the House Committee on Housing

Hearing Date: February 18, 2026
Hearing Time: 9:00am
Hearing Place: Hawaii State Capitol, Conference Room 430

Re: HB 1756 and HB 1837 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 both HB1756 and HB 1837. We support the amounts proposed in HB1756.

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

February 18, 2026

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

Dear Chair Evslin and Committee Members,

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

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

Hawai'i 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.**

Thank you,



Lee Wang
Executive Director
Housing Hawai'i's Future
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Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
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‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

HOUSE BILL 1756

RELATING TO THE INDIVIDUAL HOUSING
PROGRAM

Ke Kōmike Hale o ke Kuleana Hale Noho
(House Committee on Housing)

Hawai‘i State Capitol

Pepeluali 18th, 2026

10:00 am

Lumi 430

Aloha Chair Evslin, Vice Chair Miyake, and Members of the Committee on Housing:

The Office of Hawaiian Affairs (OHA) **SUPPORTS HB1756**, which updates Hawai‘i’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 Hawai‘i residents and specifically supported IHA’s as a tool for stability¹. One of the most persistent barriers to homeownership in Hawai‘i 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 Hawai‘i. 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 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

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.

home prices, while preserving existing guardrails. The bill continues to restrict use of funds to first time homeowners in Hawai‘i, 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 Hawai‘i’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 Hawai‘i’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.

HB-1756

Submitted on: 2/12/2026 3:07:54 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Susan Duffy	Individual	Support	Written Testimony Only

Comments:

I **strongly support** HB1756 because it directly addresses Hawai‘i’s affordable housing crisis by helping residents overcome the single greatest barrier to homeownership—saving for a down payment and closing costs in one of the most expensive housing markets in the nation. By modernizing outdated contribution limits and increasing the total allowable deduction to reflect today’s market realities, this bill makes the Individual Housing Account a meaningful and practical tool rather than a symbolic one. Enhancing these tax incentives empowers hardworking local families to save more effectively for their first principal residence, strengthening community stability, retaining residents, and promoting long-term economic resilience across our islands.

Support.

HB-1756

Submitted on: 2/12/2026 10:07:38 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Comments	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, COMMENT

TO INCLUDE DHHL

1756 HB RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

HB-1756

Submitted on: 2/13/2026 12:12:27 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Vernelle Oku	Individual	Support	Written Testimony Only

Comments:

I support this bill.

thank you for making home ownership for more local people a possibility!

HB-1756

Submitted on: 2/13/2026 2:47:50 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

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

Comments:

I support this bill.

HB-1756

Submitted on: 2/13/2026 3:45:35 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
kim santos	Individual	Support	Written Testimony Only

Comments:

Dear commity members I urge you to please support bill 1756. We need your help in making homes available to our families. This bill brings opportunities to the people of Hawaii. Thank you

HB-1756

Submitted on: 2/13/2026 6:58:41 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

We have to use every tool to reduce housing costs in Hawaii. We are driving away the next generation with our unbearable prices. This legislation has the promise to change that dynamic. I urge the committee to **SUPPORT** this bill!

HB-1756

Submitted on: 2/14/2026 5:10:57 PM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lanette Bourg	Individual	Support	Written Testimony Only

Comments:

I support HB1756. It will help every day working people acquire a home. Home ownership leads to community stability.

HB-1756

Submitted on: 2/17/2026 11:16:50 AM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mary Smart	Individual	Support	Written Testimony Only

Comments:

I wholeheartedly support HB1756.

Home ownership is the basis of the "American Dream" and the beginning of our citizen's financial stability.

The rampant inflation has made this change necessary.

You must pass HB1756.

HB-1756

Submitted on: 2/18/2026 7:58:44 AM

Testimony for HSG on 2/18/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Laura Nakanelua	Individual	Support	Written Testimony Only

Comments:

Dear Chair, Vice-Chair and Committee Members,

I support HB1756 for a few common sense reasons.

This bill will directly address Hawaii's affordable housing CRISIS by directly assisting residents in overcoming the biggest financial barrier to homeownership: securing a substantial down payment and covering closing costs.

I also appreciate that it provides real tax incentives for locals who deserve an opportunity to own their own home, by allowing a greater reduction in taxable income for contributions to an Individual Housing Account. THIS IS HUGE!!

I implore you as legislators to finally take step towards making what has mostly been only the dream of owning a first home, into a REALITY for our people.

Under Democrat rule, families and the working class have been held down for decades in a losing battle against the high cost of living in Hawaii.

You on this committee have the chance today to do something to help. I hope you take this opportunity with glad hearts and bring relief to struggling locals.

Respectfully,
Laura Nakanelua
(808) 561-2325