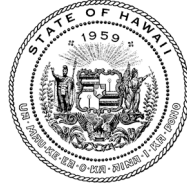


JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2552, S.D.1, Relating to the Individual Housing Account Program

**BEFORE THE:**

House Committee on Housing

**DATE:** Friday, March 20, 2026

**TIME:** 9:00 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 S.B. 2552, S.D.1, for your consideration.

Section 2 of S.B. 2552, S.D.1, amends section 235-5.5, Hawaii Revised Statutes (HRS), to increase the allowable annual deductions for contributions to an individual housing account (IHA) for the purchase of a first principal residence. The measure increases the amount a taxpayer may deduct, which is equal to the amount that may be contributed to an IHA, from \$5,000 to \$17,200 for individuals and from \$10,000 to \$34,400 for joint filers.

In addition, the bill increases from \$25,000 to \$86,000, the total allowable deductions per individual taxpayer and total allowable contributions that may be made to an IHA across all taxable years.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an IHA.

The measure has a defective effective date of July 1, 2050, and applies to taxable years beginning after December 31, 2026.

DOTAX can implement the changes in this bill for taxable years beginning after December 31, 2026.

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



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

March 17, 2026

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

Hearing Date: March 20, 2026  
Hearing Time: 9:00 am  
Hearing Place: Hawaii State Capitol, Conference Room 430

Re: SB2552 SD1 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 SB2552 SD1. We support the higher 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 11, page 8 of the 12 page pdf version of SB2552 SD1: "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

March 20, 2026

**The Honorable Luke A. Evslin, Chair**

House Committee on Housing

State Capitol, Conference Room 430 & Videoconference

**RE: Senate Bill 2552, SD1, Relating to the Individual Housing Account Program**

**HEARING: Friday, March 20, 2026, at 9:00 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** Senate Bill 2552, SD1, which for taxable years beginning 1/1/2027, increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts. Effective 7/1/2050.

Saving for a downpayment for a home remains a significant challenge for many Hawaii residents seeking to become first-time homeowners. As of February 2026, the median statewide single-family home price is \$1,080,000 and for condominiums it is \$546,000.<sup>1</sup> Based on the median amounts, a 20% downpayment with a conventional loan would be \$216,000 and \$109,200 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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<sup>1</sup> Hawai'i REALTORS® from data provided by the MLS. (February 2026). Statewide Housing Trends. <https://www.hawaiirealtors.com/housing-trends>

**Testimony to the House Committee on Housing  
Representative Luke A. Evslin, Chair  
Representative Tyson K. Miyake, Vice Chair**

**Friday, March 20, at 9:00AM  
Conference Room 430 & Videoconference**

**RE: SB2552 SD1 Relating to the Individual Housing Account Program**

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

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 2552 Senate Draft 1 (SB2552 SD1), which increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts.

SB2552 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Economic Action. This bill modernizes a critical tool that helps Hawai'i residents save for homeownership, a central component of addressing the state's persistent affordable housing challenges. Further, this legislation aligns with broader economic goals shared by the state and the Chamber surrounding workforce stability and cost of living.

Hawai'i's high cost of living and limited housing supply make homeownership increasingly out of reach for many working families, young professionals, and essential employees. SB2552 SD1 enhances the IHA program by increasing both how much can be contributed annually and the total account cap. Because the program has not been meaningfully updated for decades, this important resource is severely underutilized. By aligning IHA parameters with current housing prices and economic conditions, taxpayers may engage in meaningful financial planning that contribute to stabilizing the labor market and retaining local talent. Broadening access to homeownership opportunities helps mitigate workforce displacement, creating benefits that ripple throughout the private sector and the broader economy. The Chamber believes this revision can contribute meaningfully to improving retaining the local workforce by increasing the feasibility of homeownership.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 2552 Senate Draft 1. Thank you for the opportunity to testify.

# 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: SB 2552 SD 1

INTRODUCED BY: HOU

EXECUTIVE SUMMARY: For taxable years beginning 1/1/2027, increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts. Effective 7/1/2050. (SD1)

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 \$17,200, (\$34,400 for a married couple filing a joint return) 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 \$86,000 maximum.
- Replacing the \$5,000 (\$10,000 joint returns) maximum contributions to an individual housing account trust with a \$17,200 (\$34,400 joint returns) maximum..

Repeals obsolete language in HRS section 235-5.5(f).

Deletes the requirement of furnishing proof of total disability "in the form and manner as the director [of DOTAX] may require" in HRS section 235-5.5(g).

EFFECTIVE DATE: July 1, 2050, 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.

Digested: 3/18/2026



OFFICE OF HAWAIIAN AFFAIRS

‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

**TESTIMONY IN SUPPORT OF SENATE BILL 2552 SD1**  
RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

Ke Kōmike Hale o ke Kuleana Hale Noho  
(House Committee on Housing)  
Ke Kapitala ‘o Hawai‘i  
(Hawai‘i State Capitol)

Malaki 20, 2026

9:00 AM.

Lumi 430

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

The Office of Hawaiian Affairs (OHA) **SUPPORTS SB2552 SD1**, 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 stability<sup>1</sup>. 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. As amended, this measure updates the IHA deduction framework by establishing clear, capped limits on deductible contributions that are relative to current home prices, while preserving existing guardrails. The bill continues to maintain penalties and tax recapture for misuse and requires oversight before distributions are made. These

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<sup>1</sup> 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.

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 appreciates the amendments that make meaningful and targeted updates to restore the program's relevance by increasing allowable contribution and deduction limits to better align with current housing costs, while maintaining core program requirements. The measure continues to require that funds be held in regulated financial institutions, restricts investments to low-risk insured deposits, and requires verification that withdrawals are used for qualified housing purposes. Penalties, tax recapture provisions, and withholding requirements remain in place to deter misuse and ensure accountability. Additionally, the bill streamlines and clarifies the tax treatment of distributions used for home purchases by maintaining the structured income inclusion over time and reinforcing penalties for early sale or misuse. These provisions help ensure that the program supports stable, owner-occupied housing rather than speculative investment.

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

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.

March 20, 2026

TO: Chair Evslin and Members of the Housing Committee on Housing  
RE: SB 2552 SD1, Relating to the Individual Housing Account (IHA) 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 Senate Bill 2552 SD1.** 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, SB2552 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 SB2552 SD1.**

Thank you,



Lee Wang  
Executive Director  
Housing Hawai'i's Future  
[lee@hawaiisfuture.org](mailto:lee@hawaiisfuture.org)



Perry Arrasmith  
Director of Policy  
Housing Hawai'i's Future  
[perry@hawaiisfuture.org](mailto:perry@hawaiisfuture.org)



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON HOUSING  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430  
FRIDAY, MARCH 20, 2026 AT 9:00 A.M.**

To The Honorable Representative Luke A. Evslin, Chair  
The Honorable Representative Tyson K. Miyake, Vice Chair  
Members of the Committee on Housing

**SUPPORT SB2552 SD1 RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM**

The Maui Chamber of Commerce supports SB2552 SD1, which increases the maximum annual deduction and account limits for individual housing accounts.

We recognize the importance of providing residents with practical tools to save for homeownership. By increasing the maximum contribution and account levels, this bill offers greater flexibility for residents to accumulate the funds necessary for down payments and other housing-related expenses. This measure complements broader efforts to address Hawai'i's acute housing shortage by making homeownership more attainable for working families.

While this bill is a positive step, we note that increasing savings opportunities alone will not resolve the systemic challenges facing affordable and workforce housing in the state. Ongoing issues such as high land and construction costs, regulatory barriers, and limited housing supply continue to constrain access. Nevertheless, SB2552 SD1 is a valuable addition to the "toolbox" of solutions needed to support residents and stimulate broader housing development.

Mahalo for the opportunity to share our support of SB2552 SD1. We ask that you move this bill forward.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



# holomua

COLLABORATIVE

## OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

## OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

## BOARD MEMBERS

Jason Fujimoto  
Meli James, *Board Chair*  
Micah Kāne  
Brandon Kurisu  
Brad Nicolai  
Mike Pietsch  
Sunshine Topping

## ADVISORY COMMITTEE

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HolomuaCollaborative.org

**Committee:** House Committee on Housing  
**Bill Number:** SB2552 SD1, Relating to the Individual Housing Account Program  
**Hearing Date and Time:** March 20, 2026, 9:00am, Room 430  
**Re:** Testimony of Holomua Collaborative – Support

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

Hawai'i continues to face a deep and persistent affordable housing crisis. The median price for a single-family home in our state exceeds \$1,000,000, with condominiums approaching \$650,000—figures that place homeownership far out of reach for many working families. These barriers are not merely economic statistics; they shape real decisions for kama'āina, forcing many to leave our islands in search of attainable housing and eroding the very social fabric that makes Hawai'i home.

SB2552 SD1 proposes to strengthen an existing tool that helps residents save for their first home by updating the Individual Housing Account (IHA) Program to reflect modern housing realities. Under current law, the annual deduction for contributions to an individual housing account is capped at \$5,000 for individuals and \$10,000 for joint filers, with a lifetime cap of \$25,000. These limits have not kept pace with inflation, let alone the dramatic rise in housing costs since the program's inception in the early 1980s. SB2552 SD1 would **increase both the annual maximum deduction and the overall maximum account level** for IHAs for taxable years beginning January 1, 2027, revitalizing and modernizing this incentive to meaningfully help more families save for a down payment and achieve homeownership.

Access to homeownership remains a critical lever in building long-term economic stability and community resilience. For many Hawai'i residents, the challenge of saving enough for a substantial down payment is one of the most prohibitive obstacles to purchasing a home. By enhancing the IHA Program's tax benefit thresholds, this bill helps make it a more effective tool in today's housing market—especially for first-time buyers and working families striving to stay in Hawai'i.

In a state where housing costs continue to outpace wages, expanding opportunities for local residents to save and invest in their future is a prudent policy direction. This measure supports our collective goals of strengthening local homeownership, stabilizing communities, and incentivizing long-term residence in Hawai'i.

For these reasons, we respectfully urge your support for SB2552 SD1.

Sincerely,

Matthew Prellberg  
Policy & Communications Director