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

**TESTIMONY ON THE FOLLOWING MEASURE:**

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

**BEFORE THE:**

Senate Committee on Housing

**DATE:** Thursday, February 5, 2026

**TIME:** 1:01 p.m.

**LOCATION:** State Capitol, Room 225

Chair Chang, Vice-Chair Hashimoto, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2552 for your consideration.

Section 2 of S.B. 2552, 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, to unspecified amounts. The deduction is currently \$5,000 for individuals and \$10,000 for joint filers. In addition, the bill amends the total allowable contributions per individual across all taxable years, which is presently capped at \$25,000.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an individual housing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

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

February 5, 2026

**The Honorable Stanley Chang, Chair**

Senate Committee on Housing

State Capitol, Conference Room 225 & Videoconference

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

**HEARING: Thursday, February 5, 2026, at 1:01 p.m.**

Aloha Chair Chang, Vice Chair Hashimoto, 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, which for taxable years beginning 1/1/2027, increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts.

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.<sup>1</sup> 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.

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



February 5, 2026

TO: Chair Chang and Members of the Senate Housing Committee  
RE: SB 2552, Relating to the Individual Housing Account (IHA) Program

Dear Chair Chang 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.**

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.**

Thank you,

Lee Wang  
Executive Director  
Housing Hawai'i's Future  
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Perry Arrasmith  
Director of Policy  
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# 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

INTRODUCED BY: HASHIMOTO, CHANG, FEVELLA, KIDANI, INOUYE

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.

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), to an unspecified amount 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 an unspecified amount.
- Replacing the \$5,000 (\$10,000 joint returns) maximum contributions to an individual housing account trust with an unspecified amount.

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

Digested: 2.2.26

**SB-2552**

Submitted on: 2/3/2026 6:51:29 AM

Testimony for HOU on 2/5/2026 1:01:00 PM

| <b>Submitted By</b>  | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|----------------------|---------------------|---------------------------|------------------------|
| Johnnie-Mae L. Perry | Individual          | Support                   | Written Testimony Only |

Comments:

I, Johnnie-Mae L. Perry Support

|   |     |                          |                     |
|---|-----|--------------------------|---------------------|
| 2552 SB RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM. | HOU | CR 225 & Videoconference | Feb 5, 2026 1:01 PM |
|---|-----|--------------------------|---------------------|

**SB-2552**

Submitted on: 2/3/2026 2:10:24 PM

Testimony for HOU on 2/5/2026 1:01:00 PM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>            |
|---------------------|---------------------|---------------------------|---------------------------|
| Glen Kagamida       | Individual          | Support                   | Written Testimony<br>Only |

Comments:

GOOD IDEA TO HELP WITH BUYING A HOME AND STAY IN HAWAII.

**SB-2552**

Submitted on: 2/4/2026 8:38:01 AM

Testimony for HOU on 2/5/2026 1:01:00 PM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|---------------------|---------------------|---------------------------|------------------------|
| Jesse               | Individual          | Support                   | Written Testimony Only |

Comments:

I support measure SB2552.

In my profession, I help the people of Hawai‘i 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 Hawai‘i 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 Hawai‘i. And not just to survive but thrive.

And one more thing. Some may not like that potentially higher income earners in Hawai‘i 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 Hawai‘i 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 Hawai'i 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.