

STAND. COM. REP. NO. 80

Honolulu, Hawaii
Feb 6, 2007

RE: H.B. No. 734
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Human Services & Housing, to which was referred H.B. No. 734 entitled:

"A BILL FOR AN ACT RELATING TO LEASEHOLD CONVERSION,"

begs leave to report as follows:

The purpose of this bill is to encourage landowners to convey their fee interests to lessees by providing fee owners of multi-family residential leasehold property with the opportunity to exclude from their taxable income, 100 percent of the capital gains realized from the sale of the leased fee interest:

- (1) To the lessee of a residential house lot; or
- (2) To the lessee, association of apartment owners, or residential cooperative corporation of a multi-family residential leasehold unit,

for a limited time, up to an aggregate of \$800,000 for all taxpayers per tax year.

The Hawaii Association of REALTORS, the Hawaii Legislative Action Committee of the Community Associations Institute, and the Hawaii Independent Condominium & Cooperative Owners testified in support of this bill. The Hawaii Council of Associations of Apartment Owners supported the intent of this measure. The Department of Taxation opposed this bill. The Tax Foundation of Hawaii and Monarch Properties provided comments.

HB734 HD1 HSCR HSH HMS 2007-1767



Upon further consideration, your Committee has amended this bill by:

- (1) Deleting the exemptions for:
 - (a) The sale of leased fee interests in residential house lots; and
 - (b) The sale of leased fee interests in multi-family residential leasehold units to lessees of the units;
- (2) Removing the aggregate cap of \$800,000 on the exemption; and
- (3) Extending the number of applicable tax years from two to five years.

As affirmed by the record of votes of the members of your Committee on Human Services & Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 734, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 734, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Human Services &
Housing,



MAILE SHIMABUKURO, Chair



