

STAND. COM. REP. NO.

3373

Honolulu, Hawaii

APR 04 2008

RE: H.B. No. 3059  
H.D. 1  
S.D. 3

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 3059, H.D. 1, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to increase the value of the low-income housing tax credit by reducing the credit period or the period over which the credit is taken from ten to five years.

The measure also increases the low-income housing tax credit from fifty to one hundred per cent of the applicable percentage of the qualified basis of housing projects.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation, EAH Housing, and Castle and Cooke Hawaii. The Department of Taxation and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that the low-income housing tax credit is an important financing tax incentive to encourage the construction of low-income housing projects. Currently, the low-income housing tax credit provides a dollar-for-dollar credit against an annual income tax liability over a ten-year period. Developers typically need to sell the tax credit to investors to finance housing projects. Because the tax credit is spread over ten years, investors that buy these tax credits demand substantial

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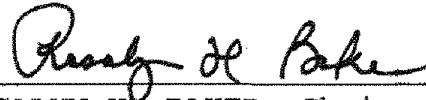


discounts to offset the present value of their upfront investment. By reducing the credit period from ten to five years, this measure significantly enhances the value of the tax credits by generating more equity to develop more affordable low-income housing within a shorter period of time.

Your Committee has amended the measure by making technical amendments that have no substantive effect.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3059, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 3059, H.D. 1, S.D. 3.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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ROSALYN H. BAKER, Chair



