

February 25, 2009

The Honorable Marcus R. Oshiro, Chair

House Committee on Finance

State Capitol, Room 308

Honolulu, Hawaii 96813

RE: H.B. 1598 Relating to Taxation

HEARING DATE: Thursday, February 26, 2009 at 10:00 a.m.

Aloha Chair Oshiro and Members of the Committee on Finance:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® (“HAR”), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR has the following **comments** with respect to H.B. 1598, Relating to Taxation, which taxes a lessor of real property for capital improvements made by a lessee upon the termination of a lease.

HAR would note that a lessor could possibly avoid the tax (and the cost of demolition) by having the lessee demolish or remove the improvements prior to the termination of a lease to real property. If the lessor elects to keep the improvements, the lessor would presumably have made a decision that the improvements (less the possible cost of future demolition) were worth more than the tax.

Similar to the premature demolition of many affordable rentals prior to a City moratorium in Waikiki at the end of the Japanese bubble, a possible consequence of this bill could therefore be the **premature demolition or removal of improvements with a remaining useful life** (including affordable residential and commercial units) on properties awaiting redevelopment.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.