

February 24, 2009

The Honorable Marcus R. Oshiro, Chair

House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 1742, Relating to Taxation

HEARING DATE: Thursday, February 26, 2009 at 3:00 p.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 **strongly opposes the following Sections of H.B. 1742, Relating to Taxation**, which repeal certain general excise and use tax exemptions and exclusions and subject to the general excise tax ("GET") for certain sales of real property.

SECTION 2

HAR strongly opposes imposing the GET on real property sales under proposed HRS §237-A, because such sales are already subject to the Conveyance Tax under HRS Chapter 247.

In addition, as a technical matter, the reference to "a sales representative that is taxable under section 237-13(5)" at the end of proposed HRS §237-A, should be to "a real estate broker or salesperson that is taxable under section 237-13(6)" inasmuch as only real estate licensees should be receiving commissions on the sale of real property in Hawaii. (Please see the reference to real estate brokers or salespersons and HRS §237-13(6) in HRS §237-18(e).)

SECTION 18

HAR strongly opposes the repeal of the GET exemption for "business leagues, chambers of commerce, boards of trade" under HRS §237-23(a)(5) because it will subject HAR's membership dues to the GET and thereby increase the cost of doing business for HAR and its members during these tough economic times.

HAR would note that membership dues do not appear to qualify as gifts or donations exempt from GET under proposed HRS §237-24(5)(C) as set forth in Section 19 of H.B. 1742.

SECTIONS 39 & 47

HAR strongly opposes the repeal of the GET exemption for Certified or Approved Housing Projects under HRS §§ 237-29 and 201H-36.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29, and are often aided by equity financing generated from the Low Income Housing Tax Credit under HRS §235-110.8 and HRS §241-4.7. Repealing these programs will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

HAR also believes that if Sections 39 and 47 of H.B. 1742 are passed in their current form, the repeal of HRS §§ 237-29 and 201H-36 will reduce by at least 3.5% (and 4% in the City and County of Honolulu) the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State. This will almost certainly adversely affect the projects' ability to fund their operating and maintenance reserves, and may impair their ability to service or possibly breach a covenant and cause a default under their outstanding mortgage debt.

SECTION 56

For the reasons set forth above, HAR respectfully requests that if Sections 39 and 47 of H.B. 1742 are passed in their current form, a new Subsection (4) be added to Section 56 of H.B. 1742 to read as follows:

- (4) Sections 39 and 47 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2010.

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.