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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 286, H.D. 1, Relating to the Individual Housing Account Program.

BEFORE THE:

House Committee on Finance

DATE: Tuesday, February 25, 2025

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 286, H.D. 1, for your consideration.

Section 2 of H.B. 286, H.D. 1, amends section 235-5.5, Hawaii Revised Statutes (HRS), to increase the allowable annual deduction for contributions to an individual housing account for the purchase of a first principal residence. The deduction is raised from \$5,000 to \$20,000 for individuals and from \$10,000 to \$40,000 for joint filers. The total contributions allowable per individual for all taxable years are increased from \$25,000 to \$200,000.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an individual housing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 has a defective effective of July 1, 3000 and applies to taxable years beginning after December 31, 2025.

DOTAX can implement this bill for taxable years beginning after December 31, 2025.

DOTAX estimates a revenue loss for this bill as follows:

General Fund Impact (\$ millions)

FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	-2.0	-2.0	-2.0	-2.0	-2.0

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Increase Benefits for Individual Housing Accounts

BILL NUMBER: HB 286 HD 1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Updates the Individual Housing Account statute to reflect the current cost of housing down-payments more accurately.

SYNOPSIS: Amends section 235-5.5, HRS, to provide that the maximum deduction from gross income for contributions made to an individual housing account changes from \$5,000 single and \$10,000 joint to \$20,000 single and \$40,000 joint per taxable year, to a maximum aggregate lifetime deduction of \$200,000 per individual, up from \$25,000.

Repeals obsolete language.

Provides that an individual shall not be considered to be totally disabled unless proof is furnished of the total disability as defined in section 235-1, HRS.

EFFECTIVE DATE: July 1, 3000, applies to taxable years beginning after December 31, 2025.

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 2002 report "Hawaii Income Patterns – Individuals," it is reported that 83 tax returns took advantage of the IHA deduction, with an average of around \$4,500 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: 2/24/2025



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
Tuesday, February 25, 2025 AT 10:00 A.M.**

To The Honorable Representative Kyle T. Yamashita, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

SUPPORT HB286 HD1 RELATING TO THE INDIVIDUAL HOUSING ACCOUNT PROGRAM

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB286 HD1**.

Housing is a top priority for the Maui Chamber of Commerce and continues to be so as the crisis escalates following the wildfires and it directly impacts businesses and our economic revitalization. Before the wildfires, we needed over 10,000 units by 2025, but that number has only increased as 3% of our housing was lost in Lahaina. This is one of the main factors in the ever-increasing pricing of housing.

The Chamber feels that increasing the amount an individual can contribute, annually, from \$5,000 to \$20,000 to their Individual Housing Account is warranted given today's housing prices. We also agree with increasing the lifetime maximum, that can be contributed, from \$25,000 to \$200,000 reflect the reality of the current housing price environment.

This proposal will assist those who choose to save for a down payment for purchasing their first home. The added fact that the contributions are an allowable deduction on their taxes will help the individual afford to contribute more to their account.

This is another excellent tool in the toolbox for housing and a bill that should be fast-tracked.

For these reasons, we **SUPPORT HB286 HD1**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

HB-286-HD-1

Submitted on: 2/21/2025 7:12:52 PM

Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I STRONGLY SUPPORT this Bill. I urge all members of the Committee to **VOTE YES** on this Bill.

HB-286-HD-1

Submitted on: 2/24/2025 12:42:23 PM

Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Cindy R Ajimine	Individual	Support	Written Testimony Only

Comments:

I Fully SUPPORT this bill.

HELP! Our residents need so much help to survive here. Our adult children leave for college and do not return because of the inability to purchase a residence (among other issues) & this would help tremendously. Loss of brain wealth once again. So sad.

HB-286-HD-1

Submitted on: 2/24/2025 12:48:16 PM

Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
tanyalbaker	Individual	Support	Written Testimony Only

Comments:

Hello legislators,

I am submitting testimony in support of this bill. The cost of housing for young families is out of reach in Hawaii for many. This bill encourages saving for a down payment and increases affordability for young families. This will encourage working professionals to stay.

Thank you, Tanya Baker

HB-286-HD-1

Submitted on: 2/24/2025 3:34:25 PM

Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

I support this bill.