

Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
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IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION,  
BUSINESS & MILITARY AFFAIRS**

February 5, 2009, 8:00 a.m.  
Room 312, State Capitol

In consideration of  
**H.B. 1606**  
**RELATING TO LEASEHOLD CONVERSION.**

The HHFDC was established to focus on the financing and development of affordable housing. We are not in a position to administer a program for the mandatory lease-to-fee conversion of business properties. Therefore, we do not support H.B. 1606.

Thank you for the opportunity to testify.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

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**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS & MILITARY  
AFFAIRS  
TESTIMONY REGARDING HB 1606  
RELATING TO REAL PROPERTY**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**  
**DATE: FEBRUARY 5, 2009**  
**TIME: 8:00AM**  
**ROOM: 312**

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This bill establishes a program for the mandatory lease-to-fee conversion of business properties. Part of the bill contains a tax exemption. This bill takes effect on July 1, 2009 and shall apply to taxable years beginning after December 31, 2009.

The Department of Taxation ("Department") **opposes this bill because of its potential fiscal implications.**

**OPPOSED DUE TO BUDGET IMPACT** - The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

**TECHNICAL COMMENTS** - The § -23 exemption from taxation and assessments is extremely broad and the wording is vague. It is unclear what it means to say the property itself "shall be exempt from any and all taxes and assessments." This wording could result in unforeseen tax consequences. It arguably exempts, for eternity, all income arising from, and transactions related to, the property. The Department recommends amending the bill to state (1) specifically which parties and transactions the legislature wishes exempt; and (2) from specifically what taxes it wishes them exempt.

**REVENUE LOSS**—This bill will result in an indeterminate revenue loss.