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# A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§235-       Low-income housing development tax credit. (a)

5 Each taxpayer subject to the tax imposed by this chapter, who  
6 has filed a net income tax return for a taxable year, may claim  
7 a low-income housing development tax credit against the  
8 taxpayer's net income tax liability. The amount of the credit  
9 shall be deductible from the taxpayer's net income tax  
10 liability, if any, imposed by this chapter for the taxable year  
11 in which the credit is properly claimed on a timely basis. A  
12 credit under this section shall not be claimed if the taxpayer  
13 claims a low-income housing tax credit pursuant to section 235-  
14 110.8.

15           (b) The low-income housing development tax credit shall be  
16 four and one-half per cent of the total cost of the development  
17 of the affordable units in an eligible project; provided that



1 the cost of land shall not be considered part of the development  
2 cost.

3 (c) The credit allowed under this section shall be claimed  
4 against the taxpayer's net income tax liability for the taxable  
5 year in which the eligible project was completed. For the  
6 purpose of deducting this tax credit, "net income tax liability"  
7 means net income tax liability reduced by all other credits  
8 allowed the taxpayer under this chapter. A tax credit under  
9 this section that exceeds the taxpayer's income tax liability  
10 may be used as a credit against the taxpayer's income tax  
11 liability in subsequent years until exhausted.

12 (d) All claims for a tax credit under this section shall  
13 be filed on or before the end of the twelfth month following the  
14 close of the taxable year for which the credit may be claimed.  
15 Failure to properly and timely claim the credit shall constitute  
16 a waiver of the right to claim the credit.

17 (e) The director of taxation shall prepare such forms as  
18 may be necessary to claim a credit under this section, may  
19 require proof of the claim for the tax credit, and may adopt  
20 rules pursuant to chapter 91 necessary to carry out this  
21 section.

22 (f) For the purposes of this section:



1       "Affordable units" means units sold or rented at prices  
2 affordable to households with incomes at or below one hundred  
3 forty per cent of the median family income as determined by the  
4 United States Department of Housing and Urban Development.

5       "Eligible project" means a housing project that includes  
6 either the construction of new affordable units or the  
7 conversion or rehabilitation of an existing structure into  
8 affordable units, where at least fifty per cent of the project  
9 units are affordable units."

10       SECTION 2. New statutory material is underscored.

11       SECTION 3. This Act, upon its approval, shall apply to  
12 taxable years beginning after December 31, 2006.



HB 2989  
HD1

**Report Title:**

Low-income Housing Development Tax Credit

**Description:**

Provides a low-income housing development tax credit of 4.5 percent of the cost of the affordable units in a low-income housing development project. (HB2989 HD1)

