
A BILL FOR AN ACT

RELATING TO STATE MORTGAGE CREDIT CERTIFICATES.

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

1 SECTION 1. The purpose of this Act is to assist low- and
2 moderate-income persons with purchasing a principal residence by
3 providing qualified buyers with a state income tax credit in an
4 amount up to twenty per cent of the annual mortgage interest
5 payment. This tax credit is based on a federal tax credit under
6 Section 25 of the Internal Revenue Code.

7 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
8 amended by adding a new part to be appropriately designated and
9 to read as follows:

10 **"PART . MORTGAGE CREDIT CERTIFICATES**

11 **§235-A Definitions.** As used in this part:

12 "Certificate credit rate" means the rate of the credit
13 allowable by this part that is specified in the mortgage credit
14 certificate.

15 "Certified indebtedness amount" means the amount of
16 indebtedness that is incurred by the taxpayer to acquire the
17 principal residence of the taxpayer and specified in the
18 mortgage credit certificate.



1 "First-time homebuyer" means an individual who has not
2 owned a home in the state at least three years prior to the
3 purchase of the home for which the individual is claiming a
4 credit under this part.

5 "Mortgage credit certificate" means any certificate that is
6 issued under a qualified mortgage credit certificate program to
7 the taxpayer in connection with the acquisition of the
8 taxpayer's principal residence, specifies the certificate credit
9 rate and the certified indebtedness amount, and is in a form as
10 the director may prescribe.

11 "Principal residence" has the same meaning as used in
12 Section 121 of the Internal Revenue Code of 1986, as amended.

13 "Qualified mortgage credit certificate program" means any
14 program:

- 15 (1) Under which the indebtedness certified by mortgage
16 credit certificates meets the following requirements:
- 17 (A) The residence financed by the indebtedness is a
18 single-family residence in the state that can
19 reasonably be expected to become the principal
20 residence of the mortgagor within a reasonable
21 time after the financing is provided;



1 (B) The mortgagor had no present ownership interest
2 in the mortgagor's principal residence at any
3 time during the three-year period ending on the
4 date that the mortgage is executed;

5 (C) The purchase price of the residence financed by
6 the indebtedness does not exceed , and

7 (D) The income of the mortgagor does not exceed
8 \$;

9 (2) Under which no mortgage credit certificate may be
10 issued with respect to any residence for which any of
11 the financing is provided from the proceeds of a
12 qualified mortgage bond or a qualified veterans'
13 mortgage bond;

14 (3) Except to the extent provided in rules, that is not
15 limited to indebtedness incurred from particular
16 lenders; and

17 (4) Except to the extent provided in rules, that provides
18 that a mortgage credit certificate is not
19 transferable.

20 **§235-B Allowance of credit.** (a) There shall be allowed
21 as a credit against the tax imposed by this chapter, for the
22 taxable year, an amount equal to the product of:



1 (1) The certificate credit rate; and
2 (2) The interest paid or accrued by the taxpayer during
3 the taxable year on the remaining principal of the
4 certified indebtedness amount.

5 (b) If the certificate credit rate exceeds twenty per
6 cent, the amount of the credit allowed to the taxpayer under
7 this section for any taxable year shall not exceed \$2,000.

8 (c) If two or more persons hold interests in any
9 residence, the limitation of subsection (b) shall be allocated
10 among the persons in proportion to their respective interests in
11 the residence.

12 (d) A taxpayer claiming a credit under this part shall be
13 a first-time homebuyer. If more than one individual is
14 purchasing a residence, all of the individuals shall be first-
15 time homebuyers to claim the credit.

16 (e) A taxpayer may not claim a credit under this part if
17 the taxpayer is claiming a credit pursuant to the federal
18 mortgage credit certificate program under Section 25 of the
19 Internal Revenue Code of 1986, as amended.

20 **§235-C Determination of certificate credit rate.** For
21 purposes of this part, the certificate credit rate specified in



1 any mortgage credit certificate shall not be less than ten per
2 cent or more than fifty per cent.

3 **§235-D Aggregate limit on certificate credit rates.** In
4 the case of each qualified mortgage credit certificate program,
5 the sum of the products determined by multiplying the certified
6 indebtedness amount of each mortgage credit certificate issued
7 under the program, by the certificate credit rate with respect
8 to the certificate, shall not exceed the amount authorized by
9 the legislature for that year by adoption of a concurrent
10 resolution.

11 **§235-E Carryover of unused credit.** (a) If the credit
12 allowable under this part for any taxable year exceeds the
13 applicable tax limit for the taxable year, the excess shall
14 carryover to each of the three succeeding taxable years and,
15 subject to the limitations of subsection (b), shall be added to
16 the credit allowable by this part for the succeeding taxable
17 year.

18 (b) The amount of the unused credit that may be taken into
19 account under this section for any taxable year shall not exceed
20 the amount, if any, by which the applicable tax limit for the
21 taxable year exceeds the sum of:



1 (1) The credit allowable under this part for the taxable
2 year determined without regard to this section; and

3 (2) The amounts that, by reason of this section, are
4 carried to the taxable year and are attributable to
5 taxable years before the unused credit year.

6 **§235-F Indebtedness not treated as certified where certain**
7 **requirements not, in fact, met.** (a) This part shall not apply
8 to any indebtedness if all the requirements of section 235- ,
9 were not, in fact, met with respect to the indebtedness.

10 (b) Except to the extent otherwise provided in rules
11 adopted by the director of taxation, the requirements under this
12 part shall be treated as met if there is a certification, under
13 penalty of perjury, that the requirements are met.

14 **§235-G Period for which certificate in effect.** (a)
15 Except as otherwise provided in this part, a mortgage credit
16 certificate shall be treated as in effect with respect to
17 interest attributable to the period:

18 (1) Beginning on the date the certificate is issued; and

19 (2) Ending on the earlier of:

20 (A) The date that is specified in the certificate; or

21 (B) The date on which the residence to which the
22 certificate relates ceases to be the principal



1 residence of the individual to whom the
2 certificate relates.

3 (b) A certificate shall not apply to any indebtedness that
4 is incurred after the close of the second calendar year
5 following the calendar year in which the certificate is issued.

6 **§235-H Interest paid or accrued to related persons.** No
7 credit shall be allowed under this part for any interest paid or
8 accrued to a person who is a related person to the taxpayer,
9 within the meaning of Section 144(a)(3)(A) of the Internal
10 Revenue Code of 1986, as amended.

11 **§235-I Reporting requirements.** (a) Each person who makes
12 a loan that is a certified indebtedness amount under any
13 mortgage credit certificate shall file a report with the
14 director containing:

- 15 (1) The name, address, and social security account number
16 of the individual to which the certificate was issued;
17 (2) The certificate's issuer, date of issue, certified
18 indebtedness amount, and certificate credit rate; and
19 (3) Any other information as the director may require by
20 rules.

21 (b) Each person who issues a mortgage credit certificate
22 shall file a report showing the information as the director



1 shall prescribe by rules. Any report shall be filed at a time
2 and in a manner as the director may require by rules.

3 **§235-J Rules.** The director shall adopt rules pursuant to
4 chapter 91 as may be necessary to carry out the purposes of this
5 part, including rules that may require recipients of mortgage
6 credit certificates to pay a reasonable processing fee to defray
7 the expenses incurred in administering the program."

8 SECTION 3. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so much
10 thereof as may be necessary for fiscal year 2006-2007 for the
11 purposes of this Act.

12 The sum appropriated shall be expended by the department of
13 taxation for the purposes of this Act.

14 SECTION 4. In codifying the new sections added by section
15 2 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 5. This Act shall take effect upon its approval
19 and shall apply to taxable years beginning after December 31,
20 2005; provided that sections 3 and 4 shall take effect on
21 July 1, 2006.



HB2990 HD1

Report Title:

State Mortgage Credit Certificates

Description:

Assists low- and moderate-income home buyers by providing a state income tax credit up to 20 percent of the annual mortgage interest payment. (HB2990 HD1)

HB2990 HD1 HMS 2006-1904

