
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The existing motor sports facility in the
2 leeward area of Oahu offers an inexpensive place for racing
3 motorized vehicles under safe conditions, and provides a vital
4 service to the community by keeping racing and all of its
5 inherent dangers off our public streets and freeways. The
6 existing facility also aids in public safety by providing a
7 place to safely train law enforcement personnel from the State
8 and the county, as well as the general public.

9 Although the existing facility meets minimum safety
10 standards, it was built over forty years ago, and does not
11 include many of the more desirable current safety standards that
12 would be incorporated into a new motor sports facility. The
13 remaining term of the lease on the existing facility is very
14 short and does not afford enough time to amortize any major
15 costs. Additionally, any rebuilding of the existing facility
16 would require its closure for at least a few months, which
17 likely would increase racing on our public streets and freeways
18 during the interim.



1 The development of a planned motor sports facility is
2 warranted and will not only offer a modern and safe facility for
3 racing motorists, but will also provide a temporary boost in
4 construction jobs, and provide permanent jobs during the ongoing
5 operations of the new facility.

6 The purpose of this Act is to establish investment tax
7 credits for Hawaii taxpayers who invest in the private
8 development of a motor sports recreation and public safety
9 training and educational facility.

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

13 "§235- Motor sports recreation and public safety
14 training and educational facility investment tax credit;
15 . (a) There shall be allowed to each taxpayer
16 subject to the taxes imposed by this chapter a motor sports
17 recreation and public safety training and educational facility
18 investment tax credit that shall be deductible from the
19 taxpayer's net income tax liability, if any, imposed by this
20 chapter or, at the election of the taxpayer, from the tax
21 liability imposed by chapter 237. The motor sports recreation
22 and public safety training and educational facility investment



1 tax credit shall be available for the taxable year in which a
2 qualified investment was made and for additional qualified
3 investments made in any of the five consecutive years that
4 follow; provided that the credit is properly claimed, does not
5 exceed the limits as specified under this section, and is not
6 limited by the amount of general excise and transient
7 accommodation tax generated as further specified under this
8 section. If the rate of general excise and transient
9 accommodation taxes generated by the motor sports recreation and
10 public safety training and educational facility is less than
11 \$10,000,000 annually, the tax credit shall be deductible for tax
12 years beyond December 31, 2013; provided that the total tax
13 credit shall not exceed \$ _____ in the aggregate for all
14 qualified taxpayers.

15 (b) The tax credit shall be equal to the qualified
16 investment made by the taxpayer in the project for any one or
17 more years in the six consecutive years beginning after
18 December 31, 2004 through December 31, 2010. The total tax
19 credits claimed shall not exceed \$ _____ in the aggregate
20 for all qualified taxpayers for all six years; provided that
21 notwithstanding the amount of tax credit earned in any year, a
22 maximum of \$10,000,000 of tax credit in the aggregate for all



1 qualified taxpayers may be utilized in any one year; provided
2 further that the amount of tax credit used in any one taxable
3 year is limited to the amount of general excise and transient
4 accommodations tax generated by the construction and operation
5 of the motor sports recreation and public safety training and
6 educational facility. Any tax credits over \$10,000,000 in any
7 one year shall be used as provided in subsection (d).

8 (c) To qualify for the investment tax credit, a taxpayer
9 shall have invested in the qualified project as defined in
10 subsection (i).

11 (d) If the tax credit under this section exceeds
12 \$10,000,000 in the aggregate for all qualified taxpayers for any
13 taxable year or exceeds the taxpayer's income tax liability for
14 any year for which the tax credit is taken, the excess of the
15 tax credit may be used as a tax credit against the taxpayer's
16 tax liability in subsequent years until exhausted.

17 (e) Every claim, including amended claims, for a tax
18 credit under this section shall be filed on or before the end of
19 the twelfth month following the close of the taxable year for
20 which the tax credit may be claimed. Failure to comply with the
21 foregoing provision shall constitute a waiver of the right to
22 claim the tax credit.

1 (f) If at any time during the six-year period in which the
2 investment tax credits are earned under this section the
3 investment no longer meets the definition of qualified
4 investment, due to:

5 (1) The sale by the taxpayer of the taxpayer's interest in
6 the qualified project; or

7 (2) The withdrawal by the taxpayer of the taxpayer's
8 investment wholly or partially from the qualified
9 project;

10 the tax credit claimed under this section shall be recaptured.
11 The recapture shall be equal to one hundred per cent of the
12 total tax credits claimed under this section for the taxable
13 year in which the investment fails to meet the definition of a
14 qualified investment. The amount of the recaptured tax credit
15 determined under this subsection shall be added to the
16 taxpayer's tax liability for the taxable year in which the
17 recapture occurs.

18 (g) If at any time during the six-year period in which the
19 investment tax credits are earned under this section the project
20 no longer qualifies as a qualified project, the tax credit
21 claimed under this section shall be recaptured. The recapture
22 shall be equal to one hundred per cent of the total tax credit



1 claimed under this section for the taxable year in which the
2 project ceases to qualify and the remainder of the six-year
3 period.

4 (h) This section shall apply to qualified investments made
5 after December 31, 2004, and shall not apply to qualified
6 investments made after December 31, 2010.

7 (i) If any credit is claimed under this section, then no
8 taxpayer shall claim a credit under any other chapter for the
9 same qualified costs for which a credit is claimed under this
10 section.

11 The qualified taxpayer, no later than March 31 of each year
12 in which qualified investments were made in the previous taxable
13 year, shall submit a written, certified statement to the
14 director of taxation, identifying:

15 (1) The qualified investments, if any, made in the
16 previous taxable year; and

17 (2) The amount of tax credit claimed pursuant to this
18 section, if any, in the previous taxable year.

19 (j) As used in this section:

20 "Qualified investment" means any investment in the
21 qualified project.



1 "Qualified project" means the development of a motor sports
2 recreation and public safety training and educational facility
3 at _____, including expenditures for land acquisition
4 and closing costs, studies, design and engineering,
5 infrastructure and construction directly related thereto,
6 including:

7 (1) Multi-purpose driving surfaces, barriers, fencing,
8 lighting, and driver communication systems;

9 (2) Training and educational facilities, including
10 classrooms;

11 (3) Safety and first response medical facility, safety
12 containment systems;

13 (4) Participant and spectator accommodations, including
14 maintenance, security, storage, and other supporting
15 facilities; and

16 (5) Equipment intended for permanent use in the facility.

17 "Qualified taxpayer" means a person who fulfills the
18 requirements of subsection (c).

19 (k) The department of business, economic development, and
20 tourism shall calculate the amount of tax credit allowed in any
21 one year by using existing models to determine the rate of
22 general excise tax and transient accommodation tax earned as a



1 percentage of construction, commerce, and visitor counts
2 directly generated by the construction and operation of the
3 motor sports recreation and public safety training and
4 educational facility."

5 SECTION 3. Section 235-2.45, Hawaii Revised Statutes, is
6 amended by amending subsection (e) to read as follows:

7 "(e) Section 704 of the Internal Revenue Code (with
8 respect to a partner's distributive share) shall be operative
9 for purposes of this chapter; except that section 704(b) (2)
10 shall not apply to:

11 (1) Allocations of the high technology business investment
12 tax credit allowed by section 235-110.9;

13 (2) Allocations of net operating loss pursuant to section
14 235-111.5; [~~or~~]

15 (3) Allocations of the attractions and educational
16 facilities tax credit allowed by section 235-110.46;
17 [~~or~~]

18 (4) Allocations of low-income housing tax credits among
19 partners under section 235-110.8 [~~-~~]; or

20 (5) Allocations of the motor sports recreation and public
21 safety training and educational facility investment
22 tax credit allowed by section 235- ."



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on July 1, 2020, and
4 shall apply to taxable years beginning after December 31, 2004.



Report Title:

Investment Tax Credit; Motor Sports Facility

SB1734
SD2
HD1

Description:

Establishes an income tax credit for taxpayers investing in the private development of a motor sports facility. Effective date July 1, 2020. (SB1734 HD1)

