
A BILL FOR AN ACT

RELATING TO INCOME TAX CREDIT.

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

1 SECTION 1. (a) There shall be allowed to each taxpayer
2 who is not claimed or is not otherwise eligible to be claimed as
3 a dependent by another taxpayer for federal or Hawaii state
4 individual income tax purposes, who files a net income tax
5 return for a taxable year, a one-time refundable flood victim
6 tax credit that shall be deductible from the taxpayer's net
7 income tax liability imposed by chapter 235.

8 (b) The amount of the refundable tax credit shall be ten
9 per cent of the losses incurred by the taxpayer for repairs,
10 insurance, rental, or other expenses or costs related to the
11 damage caused by heavy rain and flooding to the taxpayer's real
12 or personal property; provided that:

13 (1) The expenses or costs are not reimbursable by
14 insurance proceeds or disaster relief payments from
15 government agencies or non-profit organizations;

16 (2) The tax credit shall not exceed \$10,000 per taxpayer;
17 and



1 (3) No refund or payment on account of the tax credit
2 allowed by this section shall be made for amounts less
3 than \$1.

4 (c) The tax credit shall apply to a taxpayer who suffered
5 damage to the taxpayer's residence that is situated in the
6 State, having occurred in:

7 (1) Late October of 2004 in Manoa, Oahu;

8 (2) March of 2006 in Hanalei, Kauai and Honolulu and
9 Windward Oahu, including the areas from Kaneohe to
10 Kahuku, Oahu; or

11 (3) Any similar heavy rain or flooding incident between
12 October of 2004 and the effective date of this Act as
13 determined by the director of taxation;

14 (d) To qualify for the income tax credit, the taxpayer
15 shall be in compliance with all applicable federal, state, and
16 county statutes, rules, and regulations.

17 (e) If the tax credit under this section exceeds the
18 taxpayer's net income tax liability, any excess of the tax
19 credit shall be refunded to the taxpayer; provided that tax
20 credits properly claimed by a taxpayer who has no income tax
21 liability shall be paid to the taxpayer.



1 (f) In the case of a partnership, S corporation, estate,
2 trust, or association of apartment owners, the tax credit
3 allowable is for expenses incurred and paid for by the entity
4 for the taxable year. The cost upon which the tax credit is
5 computed shall be determined at the entity level. Distribution
6 and share of credit shall be determined pursuant to section
7 235-110.7(a), Hawaii Revised Statutes.

8 (g) If a deduction is taken under section 179 (with
9 respect to election to expense certain depreciable business
10 assets) of the Internal Revenue Code of 1986, as amended, no tax
11 credit shall be allowed for that portion of the expenses for
12 which the deduction is taken.

13 The basis of eligible property for depreciation or
14 accelerated cost recovery system purposes for state income taxes
15 shall be reduced by the amount of credit allowable and claimed.
16 In the alternative, the taxpayer shall treat the amount of the
17 credit allowable and claimed as a taxable income item for the
18 taxable year in which it is properly recognized under the method
19 of accounting used to compute taxable income.

20 (h) No taxpayer who claims the tax credit under this
21 section shall claim any other credit for the same losses or
22 other expenses or costs.



1 (i) Every claim, including amended claims, for the tax
2 credit under this section shall be filed on or before
3 December 31, 2007. Failure to meet the filing requirements of
4 this subsection shall constitute a waiver of the right to claim
5 the tax credit.

6 (j) The director of taxation shall prepare any forms as
7 may be necessary to claim a tax credit under this section, may
8 require proof of the claim for the tax credit, and may adopt
9 rules pursuant to chapter 91 to effectuate the purposes of this
10 section.

11 SECTION 2. This Act shall take effect upon its approval
12 and shall apply to taxable years beginning after December 31,
13 2003, and ending before January 1, 2007.



Report Title:

Tax Credit; Heavy Rain; Flood

Description:

Provides a one-time refundable tax credit to assist the victims of the heavy rains and flooding statewide. (SD1)

