
A BILL FOR AN ACT

RELATING TO BUILDING IMPROVEMENTS.

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- Building improvement and renovation tax credit.

5 (a) There shall be allowed to each taxpayer subject to the
6 taxes imposed by this chapter an income tax credit that shall be
7 deductible from the taxpayer's net income tax liability, if any,
8 imposed by this chapter for the taxable year in which the credit
9 is properly claimed.

10 (b) The amount of the credit shall be equal to per
11 cent of the qualified improvement and renovation costs incurred
12 by the taxpayer during the taxable year in which the credit is
13 properly claimed.

14 (c) In the case of a partnership, S corporation, estate,
15 trust, association of apartment owners of a qualified hotel
16 facility, time share owners association, or any developer of a
17 time share project, the tax credit allowable is for the
18 qualified improvement and renovation costs incurred by the



1 entity for the taxable year. The cost upon which the tax credit
2 is computed shall be determined at the entity level.
3 Distribution and share of credit shall be determined pursuant to
4 Section 235-110.7(a).

5 (d) If a deduction is taken under section 179 (with
6 respect to election to expense depreciable business assets) of
7 the Internal Revenue Code, no tax credit shall be allowed for
8 that portion of the qualified improvement and renovation costs
9 for which the deduction is taken.

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

17 (f) The credit allowed under this section shall be claimed
18 against the net income tax liability for the taxable year in
19 which the credit is claimed.

20 (g) If the tax credit under this section exceeds the
21 taxpayer's income tax liability, the excess of credit over
22 liability may be carried over until exhausted. All claims for a



1 tax credit under this section shall be filed on or before the
2 end of the twelfth month following the close of the taxable year
3 for which the credit may be claimed. Failure to comply with the
4 foregoing provision shall constitute a waiver of the right to
5 claim the credit.

6 (h) The director of taxation shall prepare any forms that
7 may be necessary to claim a credit under this section. The
8 director may also require the taxpayer to furnish information to
9 determine the validity of the claim for credit made under this
10 section and may adopt rules necessary to effectuate the purposes
11 of this section pursuant to chapter 91.

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

15 (j) As used in this section:

16 "Net income tax liability" means income tax liability
17 reduced by all other credits allowed under this chapter.

18 "Qualified building" means an existing high-rise building
19 that:

20 (1) Contains construction or design elements that make the
21 high-rise building excessively vulnerable to damage or



H.B. NO. 3226

Report Title:

Tax Credit; Retrofitting Existing Structures

Description:

Establishes a tax credit for improvement and renovation costs incurred by taxpayers for certain buildings to make such buildings more resistant to natural disasters.

