

JAN 25 2006

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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-       Historic preservation tax credit. (a) Each  
5 taxpayer who files a net income tax return for a taxable year  
6 may claim a tax credit under this section. The tax credit shall  
7 be deductible from the taxpayer's net income tax return  
8 liability, if any, imposed by this chapter for the taxable year  
9 in which the credit is properly claimed. The amount of the tax  
10 credit shall be twenty-five per cent of qualified expenditures  
11 totaling more than \$10,000 and incurred for the rehabilitation  
12 of a historic property.  
13           (b) Tax credits which exceed the taxpayer's income tax  
14 liability may be used as a credit against the taxpayer's income  
15 tax liability for up to five subsequent years.  
16           (c) As used in this section:  
17           "Historic property" means property located within the State  
18 that is:



- 1        (1) Individually listed in the National Register of  
2        Historic Places;
- 3        (2) Located in a historic district listed in the National  
4        Register of Historic Places and certified by the  
5        United States Secretary of the Interior as  
6        contributing to the historic significance of that  
7        district;
- 8        (3) Individually designated as a historic property by the  
9        Hawaii historic places review board; or
- 10       (4) Located in a historic district set apart or registered  
11       by a county, acknowledged by the Hawaii historic  
12       places review board as contributing to the historic  
13       significance of the area, and determined by the Hawaii  
14       historic places review board as meeting the criteria  
15       for inclusion in the National Register.

16       "Qualified expenditures" mean any properly chargeable  
17 amount incurred for the rehabilitation and restoration of the  
18 physical elements of a building, including the historic  
19 decorative elements, and the upgrading of the structural,  
20 mechanical, electrical, and plumbing systems to applicable  
21 building codes. Qualified expenditures do not include the  
22 taxpayer's personal labor; the cost of purchasing the historic



1 property; any improvements made to the landscaping or other site  
 2 features, outbuildings, or garages; or any other costs the  
 3 director deems inappropriate. A taxpayer may request an opinion  
 4 from the director as to whether a planned improvement is  
 5 qualified. The director shall issue a written opinion within  
 6 thirty days of receipt of the request.

7 (d) The director of taxation shall prepare forms to claim  
 8 a credit under this section. The director may require the  
 9 taxpayer to furnish additional information to ascertain the  
 10 validity of the claim for credit under this section, which may  
 11 include photographs of the property and written declarations  
 12 from persons knowledgeable about the property. The director,  
 13 with the assistance of the department of land and natural  
 14 resources, division of historic preservation, may adopt rules  
 15 necessary to effectuate the purposes of this section pursuant to  
 16 chapter 91."

17 SECTION 2. New statutory material is underscored.

18 SECTION 3. This Act, upon its approval, shall apply to  
 19 taxable years beginning after December 31, 2005.

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INTRODUCED BY:

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**SB. NO. 3082**

**Report Title:**

Historic Preservation Tax Credit

**Description:**

Creates a tax credit for rehabilitation of historic properties.

