

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. Hawaii is suffering from an acute shortage of  
2 affordable housing. The current supply of affordable rental and  
3 for sale housing is insufficient throughout the State. The  
4 state housing and community development corporation of Hawaii  
5 has estimated that there is a need for 30,000 units, comprised  
6 of both rental and for sale properties, to address this  
7 shortage.

8           The purpose of this Act is to create an incentive for the  
9 construction of affordable housing units in Hawaii through a  
10 general excise tax credit.

11           SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14           "§237- Affordable housing tax credit. (a) There shall  
15 be allowed to each taxpayer subject to the taxes imposed by this  
16 chapter an affordable housing tax credit that shall be available  
17 to reduce the taxpayer's general excise tax liability, if any,



1 imposed by this chapter for the taxable year in which the credit  
2 is properly claimed.

3 The amount of the credit shall be four per cent of the  
4 construction costs incurred during the taxable year for each  
5 qualified affordable housing unit located in Hawaii, up to a  
6 maximum allowed credit of \$ \_\_\_\_\_ .

7 In the case of a partnership, S corporation, estate, trust,  
8 or association of apartment owners, the tax credit allowable is  
9 for construction costs incurred by the entity for the taxable  
10 year. The cost upon which the tax credit is computed shall be  
11 determined at the entity level.

12 If a deduction is taken under section 179 (with respect to  
13 election to expense-depreciable business assets) of the Internal  
14 Revenue Code, no tax credit shall be allowed for that portion of  
15 the construction cost for which the deduction is taken.

16 The basis of eligible property for depreciation or  
17 accelerated cost recovery system purposes for state income taxes  
18 shall be reduced by the amount of credit allowable and claimed.

19 In the alternative, the taxpayer shall treat the amount of the  
20 credit allowable and claimed as a taxable income item for the  
21 taxable year in which it is properly recognized under the method  
22 of accounting used to compute taxable income.



1        (b) If the tax credit under this section exceeds the  
2 taxpayer's general excise tax liability, the excess of tax  
3 credit over liability may be used as a credit against the  
4 taxpayer's income tax liability in subsequent years until  
5 exhausted. Every claim, including amended claims, for a tax  
6 credit under this section shall be filed on or before the end of  
7 the twelfth month following the close of the taxable year for  
8 which the credit may be claimed. Failure to comply with the  
9 foregoing provision shall constitute a waiver of the right to  
10 claim the credit.

11        (c) To qualify for the affordable housing tax credit, the  
12 taxpayer shall be in compliance with all applicable federal,  
13 state, and county statutes, rules, and regulations.

14        (d) The tax credit allowed under this section shall be  
15 available for the qualified affordable housing units that exceed  
16 the minimum number of units required by the U.S. Department of  
17 Housing and Urban Development.

18        (e) As used in this section:

19        "Construction costs" means any costs incurred after  
20 December 31, 2006 for plans, design, construction, and equipment  
21 related to new construction, alterations, or modifications to  
22 residential real property.





**Report Title:**

Taxation; Affordable Housing Tax Credit

**SB. NO. 3126**

**Description:**

Creates a general excise tax credit for construction of affordable housing.

