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# A BILL FOR AN ACT

RELATING TO INCOME TAX.

**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 read as follows:

3           "§235-           Tax credit for bars. (a) Each principal  
4 operator of a commercial bar licensed pursuant to chapter 281  
5 who files an individual or corporate net income tax return for a  
6 taxable year may claim an income tax credit under this section  
7 against the Hawaii state individual or corporate net income tax.

8           (b) The tax credit shall be an amount equal to fifty per  
9 cent of the loss in revenues related to smoking laws imposed  
10 under section 328J-3 during the taxable year.

11           (c) The tax credit claimed under this section by the  
12 principal operator shall be deductible from the principal  
13 operator's individual or corporate income tax liability, if any,  
14 for the tax year in which the credit is properly claimed;  
15 provided that a husband and wife filing separate returns for a  
16 taxable year for which a joint return could have been made by  
17 them shall claim only the tax credit to which they would have  
18 been entitled had a joint return been filed. If the tax credit



1 claimed by the principal operator under this section exceeds the  
2 amount of the income tax payments due from the principal  
3 operator, the excess of credit over payments due shall be  
4 refunded to the principal operator; provided that the tax credit  
5 properly claimed by a principal operator who has no income tax  
6 liability shall be paid to the principal operator; and provided  
7 further no refunds or payments on account of the tax credit  
8 allowed by this section shall be made for amounts less than \$1.

9 (d) The director of taxation:

10 (1) Shall prepare forms as may be necessary to claim a  
11 credit under this section;

12 (2) Shall require proof of the claim for the tax credit;  
13 and

14 (3) May adopt rules pursuant to chapter 91 necessary to  
15 carry out the purposes of this section.

16 (e) All of the provisions relating to assessments and  
17 refunds under this chapter and under section 231-23(c)(1) shall  
18 apply to the tax credit under this section.

19 (f) Claims for the tax credit under this section,  
20 including any amended claims thereof, shall be filed on or  
21 before the end of the twelfth month following the taxable year  
22 for which the credit may be claimed.



1        (g) The department of taxation shall submit a report to  
2 the legislature annually not less than twenty days prior to the  
3 beginning of each regular session beginning with the regular  
4 session of 2009. The report shall include:

- 5        (1) Details on who applied for the tax credit;  
6        (2) The number of applicants for this tax credit; and  
7        (3) The economic cost to the State.

8        (h) As used in this section, "bar" shall have the same  
9 meaning as defined under section 328J-1."

10        SECTION 2. New statutory material is underscored.

11        SECTION 3. This Act shall take effect upon its approval;  
12 provided that the tax credit established by this Act shall apply  
13 to taxable years beginning after December 31, 2007; provided  
14 further that this Act shall be repealed on June 30, 2012.

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INTRODUCED BY:

John Guerrero  
Celia May

JAN 22 2008



**Report Title:**

Bar Tax Credit; Smoking Ban

**Description:**

Establishes a tax credit of 50 per cent of revenues lost by bars that have had a drop in business due to the ban of smoking in public places enacted in 2006.

