
A BILL FOR AN ACT

RELATING TO QUALIFIED IMPROVEMENT TAX CREDIT.

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

1 SECTION 1. The legislature finds that it is in the
2 public's interest to encourage the development of health care
3 facilities in poor and rural areas in the State. Hawaii's
4 federally qualified health centers, which are not-for-profit
5 Hawaii corporations are in various stages of developing and
6 improving their health care facilities.

7 A federally mandated medicaid prospective payment system
8 that began on January 1, 2001 for federally qualified health
9 centers has diminished the ability of federally qualified health
10 centers to invest in improvements and to recoup costs associated
11 with improvements through reimbursements. This has severely
12 limited the ability of health centers to serve the public.

13 The legislature further finds that federally qualified
14 health centers are "safety net" primary health service providers
15 serving predominantly uninsured, poor, and indigent people of
16 Hawaii, regardless of their ability to pay.

17 Funding or financing capital improvement is one of the
18 critical elements that fosters the growth of federally qualified



1 health centers and also contributes to Hawaii's economy.
2 Federally qualified health centers are not only susceptible to
3 low compensation, increasing operating costs for uninsured
4 patients, and increasing government regulation, but are also
5 affected by poor access to capital markets. Loans to not-for-
6 profit federally qualified health centers also pose higher risks
7 in comparison to conventional commercial lending.

8 The purpose of this Act is to provide a tax credit for
9 qualified capital improvements made to federally qualified
10 health centers.

11 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§235- Qualified improvement tax credit. (a) As used
15 in this section, unless the context otherwise requires:

16 "Federally qualified health center" or "center" means an
17 entity that has entered into an agreement with the Centers for
18 Medicare and Medicaid Services, to meet medicare program
19 requirements under title 42 Code of Federal Regulations section
20 405.2434, and is receiving a grant under section 330 of the
21 Public Health Service Act, or is receiving funding from the



1 recipient of a grant under section 330 of the Public Health
2 Service Act.

3 "Qualified equipment" means any device, instrument,
4 appliance, system, or apparatus that is intended for use in the
5 diagnosis, mitigation, treatment, cure, or prevention of disease
6 or the promotion of wellness of body, or medical record-keeping,
7 which has a useful life of more than one year and costs more
8 than \$50,000.

9 "Qualified facility" means any building or structure owned
10 or leased by a federally qualified health center.

11 "Qualified improvement costs" means the costs, including
12 costs for plans, design, construction, or equipment permanently
13 affixed to a building or structure, related to new construction,
14 alteration, or modifications of a qualified facility and
15 purchases of qualified equipment.

16 (b) There shall be allowed to each taxpayer who operates a
17 federally qualified health center, a qualified improvement tax
18 credit that shall be deductible from the taxpayer's net income
19 tax liability, if any, imposed by this chapter for the year in
20 which the credit is properly claimed.

21 (c) To claim a credit under this section, the taxpayer
22 shall have incurred qualified improvement costs that exceed



1 \$150,000 in the taxable year for which the credit is claimed;

2 provided that:

3 (1) All qualified improvement costs including the first
4 \$150,000 shall be eligible for the qualified
5 improvement tax credit; and

6 (2) Qualified improvement costs claimed in any taxable
7 year shall be reduced by an amount equal to state or
8 county funding, or both, received during the same
9 taxable year for which the tax credit is being
10 claimed.

11 (d) The amount of the qualified improvement tax credit
12 shall be equal to:

13 (1) Twenty-five per cent of the qualified improvement
14 costs incurred up to \$2,000,000;

15 (2) Fifteen per cent of the qualified improvement costs
16 incurred that total between \$2,000,000 and \$5,000,000;
17 or

18 (3) Ten per cent of the qualified improvement costs
19 incurred that total \$5,000,000 or more.

20 The total tax credits claimed under this section, during
21 the ten consecutive taxable years beginning after
22 December 31, 2008, and before January 1, 2019, shall not exceed



1 \$ _____ in the aggregate for each federally qualified health
2 center.

3 (e) If a deduction is taken under section 179 (with
4 respect to election to expense depreciable business assets) of
5 the Internal Revenue Code of 1986, as amended, no tax credit
6 shall be allowed for that portion of the qualified improvement
7 costs for which the deduction is taken.

8 (f) The basis of eligible property for depreciation or
9 accelerated cost recovery system purposes for state income taxes
10 shall be reduced by the amount of credit allowed and claimed
11 under this chapter.

12 (g) If the amount of the tax credit claimed in any year
13 exceeds the total of the federally qualified health center's net
14 income tax liability for that taxable year, the excess of credit
15 over liability shall be refunded to the taxpayer for the
16 federally qualified health center; provided that no refunds or
17 payment on account of the tax credit allowed by this section
18 shall be made for amounts less than \$1.

19 All claims for a tax credit under this chapter shall be
20 filed on or before the end of the twelfth month following the
21 close of the initial taxable year for which the credit may be



1 claimed. Failure to comply with this section shall constitute a
2 waiver of the right to claim the credit.

3 (h) The tax credit allowed under this chapter shall be
4 available for qualified improvement costs incurred during
5 taxable years beginning after December 31, 2008, and before
6 January 1, 2019.

7 (i) If a tax credit is claimed under this section, no
8 other tax credit under this chapter may be claimed for the same
9 qualified improvement costs.

10 (j) The director of taxation:

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

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

14 (3) May adopt rules pursuant to chapter 91 to effectuate
15 the purposes of this section."

16 SECTION 3. New statutory material is underscored.

17 SECTION 4. This Act shall take effect upon its approval
18 and shall apply to taxable years beginning after December 31,
19 2008.

20

INTRODUCED BY: 

JAN 22 2008



Report Title:

Tax Credit; Health Care Facilities; Federally Qualified Health Centers

Description:

Provides a tax credit for improvements made to federally qualified health centers.

