
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 of 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 diminution has
12 severely limited the ability of health centers to serve the
13 public.

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



1 Funding or financing capital improvement is one of the
2 critical elements that fosters the growth of federally qualified
3 health centers and also contributes to Hawaii's economy.
4 Federally qualified health centers are not only susceptible to
5 low compensation, increasing operating costs for uninsured
6 patients and increasing government regulation, but are also
7 affected by poor access to capital markets. Loans to not-for-
8 profit federally qualified health centers also pose higher risks
9 in comparison to conventional commercial lending.

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

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

16 "§235- Qualified improvement tax credit. (a) There
17 shall be allowed to each taxpayer who operates a federally
18 qualified health center a qualified improvement tax credit that
19 shall be deductible from the taxpayer's net income tax
20 liability, if any, imposed by this chapter for the year in which
21 the credit is properly claimed.



1 (b) To claim a credit under this section, the taxpayer
2 shall have incurred qualified improvement costs that exceed
3 \$150,000 in the taxable year for which the credit is claimed;
4 provided that:

5 (1) All qualified improvement costs, including the first
6 \$150,000, shall be eligible for the qualified
7 improvement tax credit; and

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

13 (c) The amount of the qualified improvement tax credit
14 shall be equal to:

15 (1) Twenty-five per cent of the qualified improvement
16 costs incurred up to and including \$2,000,000; plus

17 (2) Fifteen per cent of the qualified improvement costs
18 greater than \$2,000,000, up to and including
19 \$5,000,000; plus

20 (3) Ten per cent of the qualified improvement costs
21 greater than \$5,000,000.



1 The total tax credits claimed under this section, during
2 the ten consecutive taxable years beginning after
3 December 31, 2008, and before January 1, 2019, shall not exceed
4 \$ _____ in the aggregate for each federally qualified health
5 center.

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

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

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



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

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

10 (h) If a tax credit is claimed under this section, no
11 other tax credit under this chapter may be claimed for the same
12 qualified improvement costs.

13 (i) The director of taxation:

14 (1) Shall prepare forms as may be necessary to claim a tax
15 credit under this section; and

16 (2) May require proof of the claim for the tax credit.

17 (j) As used in this section, unless the context otherwise
18 requires:

19 "Federally qualified health center" or "center" means an
20 entity that has entered into an agreement with the federal
21 Centers for Medicare and Medicaid Services, to meet medicare
22 program requirements under Title 42 Code of Federal Regulations



1 Section 405.2434, and is receiving a grant under Section 330 of
2 the Public Health Service Act, or is receiving funding from the
3 recipient of a grant under Section 330 of the Public Health
4 Service Act.

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

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

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

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2020.



Report Title:

Tax Credit; Health Care Facilities; Federally Qualified Health Centers

Description:

Provides a tax credit for improvements made to federally qualified health centers. Effective 7/1/2020. (HB3008 HD2)

