
A BILL FOR AN ACT

RELATING TO LOW-INCOME HOUSING TAX CREDITS.

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

1 SECTION 1. Section 235-110.8, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§235-110.8 Low-income housing tax credit. (a) Section
4 42 (with respect to low-income housing credit) of the Internal
5 Revenue Code shall be operative for the purposes of this chapter
6 as provided in this section~~[-]~~, except as provided otherwise in
7 this section.

8 (b) Each taxpayer subject to the tax imposed by this
9 chapter, who has filed ~~[+]~~a~~[+]~~ net income tax return for a
10 taxable year may claim a low-income housing tax credit against
11 the taxpayer's net income tax liability. The amount of the
12 credit shall be deductible from the taxpayer's net income tax
13 liability, if any, imposed by this chapter for the taxable year
14 in which the credit is properly claimed on a timely basis. A
15 credit under this section may be claimed whether or not the
16 taxpayer claims a federal low-income housing tax credit pursuant
17 to ~~[section]~~ Section 42 of the Internal Revenue Code.



1 (c) The low-income housing tax credit shall be fifty per
2 cent of the applicable percentage of the qualified basis of each
3 building located in Hawaii. The applicable percentage shall be
4 calculated as provided in [~~section~~] Section 42(b) of the
5 Internal Revenue Code.

6 (d) For the purposes of this section, the determination
7 of:

- 8 (1) Qualified basis and qualified low-income building
9 shall be made under [~~section~~] Section 42(c);
- 10 (2) Eligible basis shall be made under [~~section~~] Section
11 42(d);
- 12 (3) Qualified low-income housing project shall be made
13 under [~~section~~] Section 42(g);
- 14 (4) Recapture of credit shall be made under [~~section~~]
15 Section 42(j), except that the tax for the taxable
16 year shall be increased under [~~section~~] Section
17 42(j)(1) only with respect to credits that were used
18 to reduce state income taxes;
- 19 (5) Application of at-risk rules shall be made under
20 [~~section~~] Section 42(k);
21 of the Internal Revenue Code.



1 (e) As provided in [~~section~~] Section 42(e), rehabilitation
2 expenditures shall be treated as separate new building and their
3 treatment under this section shall be the same as in [~~section~~]
4 Section 42(e). The definitions and special rules relating to
5 credit period in [~~section~~] Section 42(f) and the definitions and
6 special rules in [~~section~~] Section 42(i) shall be operative for
7 the purposes of this section.

8 (f) The state housing credit ceiling under [~~section~~]
9 Section 42(h) shall be zero for the calendar year immediately
10 following the expiration of the federal low-income housing tax
11 credit program and for any calendar year thereafter, except for
12 the carryover of any credit ceiling amount for certain projects
13 in progress which, at the time of the federal expiration, meet
14 the requirements of [~~section~~] Section 42.

15 (g) The credit allowed under this section shall be claimed
16 against net income tax liability for the taxable year. For the
17 purpose of deducting this tax credit, net income tax liability
18 means net income tax liability reduced by all other credits
19 allowed the taxpayer under this chapter.

20 A tax credit under this section which exceeds the
21 taxpayer's income tax liability may be used as a credit against
22 the taxpayer's income tax liability in subsequent years until



1 exhausted. All claims for a tax credit under this section must
2 be filed on or before the end of the twelfth month following the
3 close of the taxable year for which the credit may be claimed.
4 Failure to properly and timely claim the credit shall constitute
5 a waiver of the right to claim the credit. A taxpayer may claim
6 a credit under this section only if the building or project is a
7 qualified low-income housing building or a qualified low-income
8 housing project under ~~[section]~~ Section 42 of the Internal
9 Revenue Code.

10 Section 469 (with respect to passive activity losses and
11 credits limited) of the Internal Revenue Code shall be applied
12 in claiming the credit under this section.

13 (h) In the case of any qualified low-income housing
14 project placed in service beginning on January 1, 2009, Section
15 42(b)(2)(B) of the Internal Revenue Code shall be modified as
16 follows: the percentages prescribed by the Secretary for any
17 month shall be percentages that will yield over a five-year
18 period amounts of credit under subsection (a) that have present
19 value equal to:

20 (1) Seventy per cent of the qualified basis of a building
21 described in paragraph (1)(A); and



1 (2) Thirty per cent of the qualified basis of a building
2 described in paragraph (1) (B).

3 (i) In the case of any qualified low-income housing
4 project placed in service beginning on January 1, 2009, Section
5 42(f) (1) of the Internal Revenue Code shall be modified as
6 follows: the term "credit period" means, with respect to any
7 building, the period of five taxable years beginning with:

8 (1) The taxable year in which the building is placed in
9 service; or

10 (2) At the election of the taxpayer, the succeeding
11 taxable year,

12 but only if the building is a qualified low-income building as
13 of the close of the first year of such period. The election
14 under paragraph (2), once made, shall be irrevocable.

15 [~~h~~] (j) The director of taxation may adopt any rules
16 under chapter 91 and forms necessary to carry out this section."

17 SECTION 2. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 3. This Act shall take effect on January 1, 2020.



Report Title:

Low-Income Housing; Tax Credits

Description:

Reduces the period over which state low-income housing tax credits are taken from ten years to five years. (HB3059 HD1)

