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

4           "§235-A Renovation tax credit.   (a) There shall be  
5 allowed to each taxpayer subject to the taxes imposed by this  
6 chapter and chapter 237, an income tax credit, which shall be  
7 deductible from the taxpayer's net income tax liability, if any,  
8 imposed by this chapter for the taxable year in which the credit  
9 is properly claimed.

10           The amount of the credit shall be thirty per cent of the  
11 renovation costs incurred during the taxable year for each  
12 qualified business located in Hawaii, and shall not include the  
13 renovation costs for which another credit was claimed under this  
14 chapter for the taxable year.

15           In the case of a partnership, S corporation, C corporation,  
16 estate, trust, or a limited liability company, the tax credit  
17 allowable is for renovation costs incurred by the entity for the  
18 taxable year. The cost upon which the tax credit is computed



1 shall be determined at the entity level. Distribution and share  
2 of credit shall be determined pursuant to section 235-110.7(a).

3 If a deduction is taken under section 179 (with respect to  
4 election to expense depreciable business assets) of the Internal  
5 Revenue Code, no tax credit shall be allowed for that portion of  
6 the renovation cost for which the deduction is taken.

7 The basis of eligible property for depreciation or  
8 accelerated cost recovery system purposes for state income taxes  
9 shall be reduced by the amount of credit allowable and claimed.  
10 In the alternative, the taxpayer shall treat the amount of the  
11 credit allowable and claimed as a taxable income item for the  
12 taxable year in which is it properly recognized under the method  
13 of accounting used to compute taxable income.

14 (b) The credit allowed under this section shall be claimed  
15 against the next income tax liability for the taxable year.

16 (c) If the tax credit under this section exceeds the  
17 taxpayer's income tax liability, the excess of credit over  
18 liability may be used as a credit against the taxpayer's income  
19 tax liability in subsequent years until exhausted. All claims  
20 for a tax credit under this section, including amended claims,  
21 shall be filed on or before the end of the twelfth month  
22 following the close of the taxable year for which the credit may



1 be claimed. Failure to comply with the foregoing provision  
2 shall constitute a waiver of the right to claim the credit.

3 (d) The director of taxation shall prepare any forms that  
4 may be necessary to claim a credit under this section. The  
5 director may also require the taxpayer to furnish information to  
6 ascertain the validity of the claim for credit made under this  
7 section and may adopt rules necessary to effectuate the purposes  
8 of this section pursuant to chapter 91.

9 (e) The tax credit allowed under this section shall be  
10 available for taxable years beginning after December 31, 2008,  
11 and shall not be available for taxable years beginning after  
12 December 31, 2015.

13 (f) To qualify for the income tax credit, the taxpayer  
14 shall be in compliance with all applicable federal, state, and  
15 county statutes, rules, and regulations. The credit shall not  
16 be available to taxpayers whose gross income exceeds three  
17 million dollars.

18 (g) As used in this section:

19 "Net income tax liability" means income tax liability  
20 reduced by all other credits allowed under this chapter.

21 "Renovation cost" means any costs incurred after December  
22 31, 2008, for plans, design, construction and equipment related



1 to alterations or modifications to an existing building used for  
 2 a business purpose and shall not include personal residences,  
 3 rental property, or residential property used for business  
 4 purposes."

5 SECTION 2. New statutory material is underscored.

6 SECTION 3. This Act shall take effect on upon approval and  
 7 shall apply to taxable years beginning after December 31, 2008.  
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INTRODUCED BY:

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JAN 23 2008



**Report Title:**

Taxation

**Description:**

Provides a tax credit to small businesses for renovations.

