
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- Hotel renovation tax credit. (a) There shall be
5 allowed to each taxpayer, subject to the taxes imposed by this
6 chapter and chapter 237D, an income tax credit that 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 (b) The amount of the credit shall be per cent of the
11 renovation costs incurred during the taxable year for each hotel
12 facility located in the state and shall not include the
13 construction or renovation costs for which another credit was
14 claimed under this chapter for the taxable year.

15 (c) In the case of a partnership, S corporation, estate,
16 or trust, the tax credit shall be determined at the entity
17 level. Distribution and share of credit shall be the same



1 amount as the capital goods excise tax credit under section 235-
2 110.7(a).

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

8 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 allowable and claimed.
11 In the alternative, the taxpayer shall treat the amount of the
12 credit allowable and claimed as a taxable income item for the
13 taxable year in which it is properly recognized under the method
14 of accounting used to compute taxable income.

15 (e) The credit allowed under this section shall be claimed
16 against the net income tax liability for the taxable year.

17 (f) As used in this section:

18 "Hotel facility" means an establishment consisting of any
19 building or structure used primarily for the business of
20 providing, for consideration, transient hotel accommodation
21 lodging facilities that furnish, as part of its routine
22 operations, one or more customary lodging services, other than



1 living accommodations and furniture and fixtures, including but
2 not limited to, restaurant facilities, room attendant or bell
3 services, telephone switchboard operations, laundry services, or
4 concierge services, and is subject to the transient
5 accommodations tax under chapter 237D. "Hotel facility" does
6 not include any building that is used or contains any room that
7 is used as a "condominium" as defined under section 514B-3 or
8 "timeshare unit" as defined under section 514E-1.

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

11 "Renovation" means any costs incurred after December 31,
12 2007, for plans, design, construction, and equipment related to
13 renovations, alterations, or modifications to a hotel facility.

14 "Taxpayer" means an owner of a hotel facility located in
15 the state.

16 (g) If the tax credit under this section exceeds the
17 taxpayer's income tax liability, the excess of credit over
18 liability shall be refunded to the taxpayer; provided that no
19 refunds or payment on account of the tax credits allowed by this
20 section shall be made for amounts less than \$1.

21 All claims for a tax credit under this section shall be
22 filed on or before the end of the twelfth month following the



1 close of the taxable year for which the credit may be claimed.
2 Failure to comply with the deadline to file shall constitute a
3 waiver of the right to claim the credit.

4 (h) The director of taxation:

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

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

8 (3) May adopt rules pursuant to chapter 91 to effectuate
9 the purposes of this section.

10 (i) The tax credit allowed under this section shall be
11 available for taxable years beginning after December 31, 2013,
12 for building permits submitted to the appropriate county agency
13 before December 31, 2014, and shall not be available for taxable
14 years beginning after December 31, 2019."

15 SECTION 2. New statutory material is underscored.

16 SECTION 3. This Act shall take effect on July 1, 2025.



Report Title:

Tax Credit; Hotel Renovation

Description:

Provides a tax credit equal to a blank amount of the costs of hotel renovations. (SD1)

