

JAN 18 2008

A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1 SECTION 1. (a) There shall be allowed to each taxpayer in
2 the upcountry Maui area and other areas in the sixth district
3 who are not claimed, or are not otherwise eligible to be
4 claimed, as a dependent by another taxpayer for federal or
5 Hawaii state individual income tax purposes, who files a net
6 income tax return for a taxable year, a one-time nonrefundable
7 tax credit that shall be deductible from the taxpayer's net
8 income tax liability imposed by chapter 235, Hawaii Revised
9 Statutes.

10 (b) The amount of the nonrefundable tax credit shall be
11 per cent of the losses incurred by the taxpayer for repairs,
12 insurance, rental, or other expenses or costs related to the
13 damage caused to the taxpayer's real or personal property in the
14 upcountry Maui area and other affected areas in the sixth
15 senatorial district by the flood and wind storm damage in
16 December of 2007, provided that:



- 1 (1) The expenses or costs are not reimbursable by
- 2 insurance proceeds or disaster relief payments from
- 3 government agencies or non-profit organizations;
- 4 (2) The tax credit shall not exceed \$ per
- 5 taxpayer; and
- 6 (3) No refund or payment on account of the tax credit
- 7 allowed by this section shall be made for amounts less
- 8 than \$1.

9 (c) If the tax credit under this section exceeds the

10 taxpayer's net income tax liability, any excess of the tax

11 credit may be used as a credit against the taxpayer's income tax

12 liability in subsequent taxable years until exhausted.

13 (d) In the case of a partnership, S corporation, estate,

14 trust, or association of apartment owners, the tax credit

15 allowable is for expenses incurred and paid for by the entity

16 for the taxable year. The cost upon which the tax credit is

17 computed shall be determined at the entity level. Distribution

18 and share of credit shall be determined pursuant to section

19 235-110.7(a), Hawaii Revised Statutes.

20 (e) If a deduction is taken under section 179 (with

21 respect to election to expense certain depreciable business

22 assets) of the Internal Revenue Code, no tax credit shall be

1 allowed for that portion of the expenses for which the deduction
2 is taken.

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

10 (f) No taxpayer that claims the tax credit under this
11 section shall claim any other credit for the same losses or
12 other expenses or costs.

13 (g) Every claim, including amended claims, for the tax
14 credit under this section shall be filed on or before
15 December 31, 2008. Failure to meet the filing requirements of
16 this subsection shall constitute a waiver of the right to claim
17 the tax credit.

18 (h) The director of taxation:

19 (1) Shall determine the applicability of this Act with
20 respect to the boundaries and locations of flood and
21 wind storm damage in December of 2007 in the upcountry



- 1 Maui area and other affected areas in the sixth
- 2 senatorial district that are subject to this Act;
- 3 (2) Shall prepare any forms as may be necessary to claim a
- 4 tax credit under this section;
- 5 (3) May require proof of the claim for the tax credit; and
- 6 (4) May adopt rules pursuant to chapter 91, Hawaii Revised
- 7 Statutes, to effectuate the purposes of this Act.

8 SECTION 2. This Act shall take effect upon its approval
 9 and shall apply to taxable years beginning after December 31,
 10 2007.

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Report Title:

Tax Credit; Storm Damage; Upcountry Maui

Description:

Provides a one-time nonrefundable tax credit to assist the victims of the December 2007 flood and wind storm damage experienced in upcountry Maui and other areas of the 6th District.

