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# 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  
2 statewide who is not claimed, or is not otherwise eligible to be  
3 claimed, as a dependent by another taxpayer for federal or  
4 Hawaii state individual income tax purposes, and who files a net  
5 income tax return for a taxable year, a one-time nonrefundable  
6 tax credit that shall be deductible from the taxpayer's net  
7 income tax liability imposed by chapter 235, Hawaii Revised  
8 Statutes.

9           (b) The amount of the nonrefundable tax credit shall be  
10           per cent of the costs incurred by the taxpayer for  
11 repairs, insurance, rental, or other expenses or costs related  
12 to the damage caused to the taxpayer's real or personal property  
13 statewide by flood and wind storm damage in December of 2007,  
14 provided that:

15           (1) The expenses or costs are not reimbursable by  
16           insurance proceeds or disaster relief payments from  
17           government agencies or non-profit organizations;



1           (2) The tax credit shall not exceed \$                   per  
2           taxpayer; and

3           (3) No refund or payment on account of the tax credit  
4           allowed by this section shall be made for amounts less  
5           than \$1.

6           (c) If the tax credit under this section exceeds the  
7 taxpayer's net income tax liability, any excess of the tax  
8 credit may be used as a credit against the taxpayer's income tax  
9 liability in subsequent taxable years until exhausted.

10          (d) In the case of a partnership, S corporation, estate,  
11 trust, or association of apartment owners, the tax credit  
12 allowable is for expenses incurred and paid for by the entity  
13 for the taxable year. The cost upon which the tax credit is  
14 computed shall be determined at the entity level. Distribution  
15 and share of credit shall be determined pursuant to section  
16 235-110.7(a), Hawaii Revised Statutes.

17          (e) If a deduction is taken under Section 179 (with  
18 respect to election to expense certain depreciable business  
19 assets) of the Internal Revenue Code, no tax credit shall be  
20 allowed for that portion of the expenses for which the deduction  
21 is taken.



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

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

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

16           (h) The director of taxation:

17           (1) Shall determine, with the assistance of the state  
18 department of defense, the applicability of this Act  
19 with respect to the boundaries and locations of flood  
20 and wind storm damage in December of 2007 in the State  
21 that may be eligible for the tax credit established  
22 under this Act;



- 1           (2) Shall prepare any forms as may be necessary to claim a
- 2                   tax credit under this section;
- 3           (3) May require proof of the claim for the tax credit; and
- 4           (4) May adopt rules pursuant to chapter 91, Hawaii Revised
- 5                   Statutes, to effectuate the purposes of this Act.

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



**Report Title:**

Tax Credit; Storm Damage

**Description:**

Provides a one-time nonrefundable tax credit to assist the victims of the December 2007 flood and wind storm damage experienced statewide. (SD2)

