

JAN 19 2007

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- Historic preservation tax credit. (a) Each
5 taxpayer (whether for profit or nonprofit) who files a net
6 income tax return for a taxable year may claim a tax credit
7 under this section. The tax credit shall be deductible from the
8 taxpayer's net income tax return liability, if any, imposed by
9 this chapter for the taxable year in which the credit is
10 properly claimed. The amount of the tax credit shall be twenty-
11 five per cent of qualified expenditures totaling more than
12 \$10,000 and incurred for the rehabilitation of a historic
13 property.
14 (b) Tax credits that exceed the taxpayer's income tax
15 liability may be used as a credit against the taxpayer's income
16 tax liability for up to five subsequent years.



1 (c) Any nonprofit taxpayer that has not claimed the tax
2 credit under this section, in whole or part, may assign,
3 transfer, or convey the credit, in whole or in part, by sale or
4 otherwise to any individual or entity. The assignee of any tax
5 credits may use acquired credits to offset up to per
6 cent of the tax liabilities otherwise imposed pursuant to
7 chapter 235. The assignee may apply the tax credit against
8 taxes imposed on the assignee until the end of the taxable year
9 after the year in which the rehabilitated historic property is
10 placed in service, or until the full credit assigned is used,
11 whichever occurs first. Fiscal year assignees may claim the
12 credit until the expiration of the fiscal year that ends within
13 the taxable year after the year in which the rehabilitated
14 historic property is placed in service. The assignor shall
15 perfect the transfer by notifying the department in writing
16 within thirty calendar days following the effective date of the
17 transfer and shall provide any information that may be required
18 by the department to administer and carry out this section.

19 (d) For purposes of this section, any assignment or sales
20 proceeds received by the taxpayer for its assignment or sale of
21 the tax credits allowed pursuant to this section shall be exempt
22 from taxation under this chapter.



1 (e) As used in this section:

2 "Historic property" means property located within the State
3 that is:

4 (1) Individually listed in the National Register of
5 Historic Places;

6 (2) Located in a historic district listed in the National
7 Register of Historic Places and certified by the
8 United States Secretary of the Interior as
9 contributing to the historic significance of that
10 district;

11 (3) Individually designated as a historic property by the
12 Hawaii historic places review board; or

13 (4) Located in a historic district set apart or registered
14 by a county, acknowledged by the Hawaii historic
15 places review board as contributing to the historic
16 significance of the area, and determined by the Hawaii
17 historic places review board as meeting the criteria
18 for inclusion in the National Register.

19 "Qualified expenditures" mean any properly chargeable
20 amount incurred for the rehabilitation and restoration of the
21 physical elements of a building, including the historic
22 decorative elements, and the upgrading of the structural,



1 mechanical, electrical, and plumbing systems to applicable
2 building codes. Qualified expenditures do not include the
3 taxpayer's personal labor; the cost of purchasing the historic
4 property; any improvements made to the landscaping or other site
5 features, outbuildings, or garages; or any other costs the
6 director deems inappropriate. A taxpayer may request an opinion
7 from the director as to whether a planned improvement is
8 qualified. The director shall issue a written opinion within
9 thirty days of receipt of the request.

10 (f) The director of taxation shall prepare forms to claim
11 a credit under this section. The director may require the
12 taxpayer to furnish additional information to ascertain the
13 validity of the claim for credit under this section, which may
14 include photographs of the property and written declarations
15 from persons knowledgeable about the property. The director,
16 with the assistance of the department of land and natural
17 resources, division of historic preservation, may adopt rules
18 necessary to effectuate the purposes of this section pursuant to
19 chapter 91."

20 SECTION 2. New statutory material is underscored.



S.B. NO. 708

1 SECTION 3. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2006.

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INTRODUCED BY:

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Report Title:

Historic Preservation Tax Credit

Description:

Creates a tax credit for rehabilitation of historic properties;
authorizes transfer of tax credits by a nonprofit taxpayer.

