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# A BILL FOR AN ACT

RELATING TO HOTEL RENOVATION TAX CREDIT.

**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  
5 be allowed to each taxpayer subject to the taxes imposed by this  
6 chapter, a hotel renovation tax credit, that shall be deductible  
7 from the taxpayer's net income tax liability, if any, imposed by  
8 this chapter for the taxable year in which the tax credit is  
9 properly claimed.

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

15 In the case of a partnership, S corporation, estate, trust,  
16 association of owners of a qualified hotel facility, time share  
17 owners association, or any developer of a time share project,  
18 the tax credit allowable is for renovation costs incurred by the



1 entity for the taxable year. The cost upon which the tax credit  
2 is computed shall be determined at the entity level.  
3 Distribution and share of credit shall be determined pursuant to  
4 section 235-110.7(a).

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

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

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

18 (c) If the tax credit under this section exceeds the  
19 taxpayer's income tax liability, the excess of credit over  
20 liability may be claimed in subsequent tax years; provided that  
21 no refunds or payment on account of the tax credits allowed by  
22 this section shall be made for amounts less than \$1. All claims



1 for a tax credit under this section shall be filed on or before  
2 the end of the twelfth month following the close of the taxable  
3 year for which the credit may be claimed. Failure to comply  
4 with the foregoing provision shall constitute a waiver of the  
5 right to claim the credit.

6 (d) The director of taxation may:

7 (1) Prepare any forms that may be necessary to claim a  
8 credit under this section;

9 (2) Require the taxpayer to furnish information to  
10 ascertain the validity of the claim for credit under  
11 this section; and

12 (3) Adopt rules necessary to effectuate the purposes of  
13 this section pursuant to chapter 91.

14 (e) To qualify for the income tax credit, the taxpayer  
15 shall be in compliance with all applicable federal, state, and  
16 county statutes, rules, and regulations.

17 (g) As used in this section:

18 "Renovation cost" means any costs incurred for plans,  
19 design, construction, and equipment related to renovations to a  
20 qualified hotel facility.

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



1       "Qualified hotel facility" means a hotel, hotel-  
2 condominium, or condominium-hotel as defined in section 486K-1  
3 with a daily occupancy rate of no more than       per cent and an  
4 annual occupancy rate of no more than       per cent in the year  
5 the tax credit is claimed.

6       (h) No taxpayer that claims a credit under this section  
7 shall claim a credit under chapter 235D."

8       SECTION 2. New statutory material is underscored.

9       SECTION 3. This Act shall take effect upon its approval  
10 and shall apply to taxable years beginning after December 31,  
11 2008.

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INTRODUCED BY:



JAN 22 2009



**Report Title:**

Income Tax Credit; Hotel Renovation

**Description:**

Provides a hotel renovation tax credit for hotels with low daily and annual occupancy rates.

