

JAN 20 2010

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The effects of the September 11, 2001 terrorist
2 attacks upon the United States had a devastating effect on
3 Hawaii's economy. In October 2001, the legislature met in
4 special session to approve emergency measures in response to the
5 attacks. One such response was the enactment of Act 10, Third
6 Special Session Laws of Hawaii 2001, which enhanced the then-
7 existing hotel construction and remodeling tax credit. Act 10
8 raised the tax credit from four to ten per cent for costs
9 incurred prior to July 1, 2003 to assist the tourism industry in
10 its efforts to attract more visitors to Hawaii. Act 10 provided
11 the stimulus needed to boost Hawaii's workforce and economy
12 during difficult economic times.

13 Hawaii is again in an economic recession. Economic
14 stimulus and other initiatives are needed to counteract the
15 negative impact that the world's economy has had on the State.
16 Like the experience with Act 10, the legislature finds that a
17 generous tax credit is an excellent means to boost Hawaii's



1 tourism and construction industries. The implementation of this
2 Act is necessary and warranted.

3 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§235- Hotel construction and remodeling tax credit.

7 (a) There shall be allowed to each taxpayer subject to the
8 taxes imposed by this chapter and chapter 237D, an income tax
9 credit, that shall be deductible from the taxpayer's net income
10 tax liability, if any, imposed by this chapter for the taxable
11 year in which the credit is properly claimed.

12 The amount of the credit shall be ten per cent of the
13 construction or renovation costs incurred during the taxable
14 year for each qualified hotel facility located in Hawaii, and
15 shall not include the construction or renovation costs for which
16 another credit was claimed under this chapter for the taxable
17 year; provided that the construction or renovation costs are
18 incurred before December 31, 2015.

19 In the case of a partnership, S corporation, estate, trust,
20 association of apartment owners of a qualified hotel facility,
21 time share owners association, or any developer of a time share
22 project, the tax credit allowable is for construction or



1 renovation costs incurred by the entity for the taxable year.

2 The cost upon which the tax credit is computed shall be

3 determined at the entity level. Distribution and share of

4 credit shall be determined pursuant to 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 construction or renovation cost for which the deduction is

9 taken.

10 (b) The credit allowed under this section shall be claimed

11 against the net income tax liability for the taxable year.

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

13 taxpayer's income tax liability, the excess of credit over

14 liability shall be refunded to the taxpayer; provided that no

15 refunds or payment on account of the tax credits allowed by this

16 section shall be made for amounts less than \$1. All claims for

17 a tax credit under this section, including amended claims, shall

18 be filed on or before the end of the twelfth month following the

19 close of the taxable year for which the credit may be claimed.

20 Failure to comply with the foregoing provision shall constitute

21 a waiver of the right to claim the credit.

22 (d) The director of taxation:



1 (1) Shall prepare any forms that may be necessary to claim
2 the tax credit;

3 (2) May require the taxpayer to furnish information to
4 ascertain the validity of the claim for the tax
5 credit; and

6 (3) May adopt rules pursuant to chapter 91 necessary to
7 effectuate the purposes of this section.

8 (e) The tax credit allowed under this section shall be
9 available for taxable years beginning after December 31, 2009,
10 and shall not be available for taxable years beginning after
11 December 31, 2015.

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

15 (g) As used in this section:

16 "Construction or renovation cost" means any costs incurred
17 after December 31, 2009, for the plans, design, construction,
18 and equipment related to new construction, alteration, or
19 modification of a qualified hotel facility.

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

22 "Qualified hotel facility" means a:



- 1 (1) Hotel, hotel-condominium, or condominium-hotel as
- 2 defined in section 486K-1;
- 3 (2) Time share facility or project; or
- 4 (3) Commercial building or facility located within a
- 5 qualified resort area.

6 "Qualified resort area" means an area designated for hotel
7 use, resort use, or transient vacation rental, pursuant to
8 county authority under section 46-4, or where the county
9 designates the area for hotel, transient vacation rental, or
10 resort use.

11 "Taxpayer" means a taxpayer under this chapter, and
12 includes:

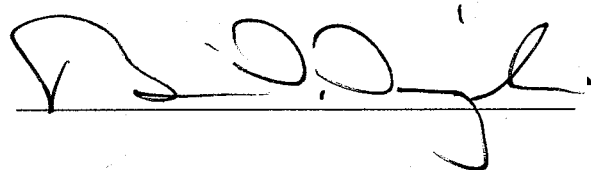
- 13 (1) An association of apartment owners; or
- 14 (2) A time share owners association."

15 SECTION 2. New statutory material is underscored.

16 SECTION 3. This Act shall take effect upon its approval
17 and shall apply to taxable years beginning after December 31,
18 2009.

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INTRODUCED BY:



Report Title:

Taxation; Hotel Renovations;

Description:

Provides a tax credit for hotel renovations.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

