
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the economic
2 multiplier effect from large construction projects can have a
3 profound effect on stimulating the economy in this State.
4 However, the looming expiration of the federal government's
5 \$8,000 first-time homebuyer income tax credit and \$6,500 income
6 tax credit for other qualified homebuyers could hamper any
7 momentum that large construction projects generate, which may
8 consequently prevent a complete recovery of the construction
9 industry in this State.

10 The legislature finds that stimulating the demand side of
11 buying new homes by providing financial incentives to homebuyers
12 would be the greatest asset in turning around the current
13 economic crisis faced by the construction industry and the
14 overall state economy. The legislature further finds that
15 establishing a state income tax credit for qualified taxpayers
16 who purchase a newly constructed principal residence would help
17 to reduce or avoid a potentially crippling housing market
18 scenario in Hawaii once the federal tax credit expires by



1 putting back to work many Hawaii taxpayers who make a living in
2 the construction industry. A tax credit could also influence
3 contractors to develop a greater supply of affordable housing in
4 the State if the contractors feel that there is sufficient
5 demand for purchasing affordable housing.

6 The purpose of this Act is to establish a refundable state
7 income tax credit that is similar to the federal income tax
8 credit but limits the tax credit to qualified taxpayers who
9 purchase a qualified principal residence on or after April 1,
10 2010, and before January 1, 2012.

11 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§235- Hawaii residential housing income tax credit.

15 (a) There shall be allowed to each qualified taxpayer subject
16 to the tax imposed by this chapter a Hawaii residential housing
17 income tax credit that shall be deductible from the taxpayer's
18 net income tax liability, if any, imposed by this chapter for
19 the taxable year in which the credit is properly claimed.

20 (b) For purposes of this section:

21 "Newly constructed principal residence" means a dwelling or
22 residential unit that did not previously exist and that will



1 result in a new structure that will be built from the ground up.
2 A newly constructed principal residence includes a single-family
3 home, duplex, condominium, manufactured home, or townhouse.

4 "Principal residence" means an individual's principal
5 residence located in the State where the individual lives for
6 more than two hundred seventy calendar days per calendar year.

7 "Purchase price" means all direct and indirect costs
8 associated with building a newly constructed principal
9 residence, excluding land acquisition costs and escrow closing
10 costs.

11 "Qualified principal residence" means a principal residence
12 that is a newly constructed principal residence, whether
13 detached or attached, that adheres to all of the following:

- 14 (1) Received a certificate of completion on or after
15 April 1, 2010;
- 16 (2) Used by the taxpayer as the taxpayer's principal
17 residence for the immediately following two years; and
- 18 (3) A principal residence that is eligible for the
19 homeowner's exemption.

20 "Qualified taxpayer" means an individual that signs a
21 binding contract to purchase a qualified principal residence on
22 or after April 1, 2010, and before January 1, 2012; provided



1 that the individual closes on the purchase of the individual's
2 newly constructed principal residence on or after April 1, 2010,
3 and before March 1, 2012.

4 (c) The amount of the tax credit shall be equal to the
5 lesser of:

6 (1) _____ per cent of the purchase price of the qualified
7 principal residence; or

8 (2) \$ _____ ;

9 provided that the tax credit shall be payable in two equal
10 installments over two consecutive taxable years beginning with
11 the taxable year in which the binding contract to purchase the
12 qualified principal residence is signed; provided further that
13 if more than one qualified taxpayer is claiming the tax credit
14 under this section, then the applicable tax credit shall be
15 divided equally between the qualified taxpayers. For purposes
16 of this section a married couple is considered to be one
17 qualified taxpayer.

18 (d) If the tax credit under this section exceeds the
19 taxpayer's net income tax liability, the excess of credit over
20 liability shall be refunded to the taxpayer; provided that no
21 refunds or payment on account of the tax credit under this
22 section shall be made for amounts less than \$1. All claims for



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

6 (e) The tax credit under this section is limited to
7 qualified principal residences with a purchase price of \$625,000
8 or less.

9 (f) Each qualified taxpayer who takes title to the
10 qualified principal residence shall meet the following adjusted
11 gross income limitations in order for any of the taxpayers who
12 are taking title to the qualified principal residence to be
13 eligible to claim the tax credit under this section:

14 (1) An individual with adjusted gross income of \$75,000 or
15 less;

16 (2) A married couple with adjusted gross income of
17 \$150,000 or less; or

18 (3) A grantor of any trust with adjusted gross income of
19 \$75,000 or less.

20 (g) If a qualified taxpayer sells or no longer uses the
21 qualified principal residence as the taxpayer's principal
22 residence within seven hundred thirty days after closing on the



1 qualified principal residence, the taxpayer shall be subject to
2 recapture on the previously claimed credit under this section on
3 a pro-rata dollar-for-dollar basis.

4 (h) The director of taxation shall prepare any forms that
5 may be necessary to claim a credit under this section. The
6 director of taxation may also require the taxpayer to furnish
7 information to ascertain the validity of the claim for the tax
8 credit made under this section and may adopt rules necessary to
9 effectuate the purposes of this section pursuant to chapter 91."

10 SECTION 3. New statutory material is underscored.

11 SECTION 4. This Act take effect on July 1, 2050, and shall
12 apply to taxable years beginning after December 31, 2050.



Report Title:

Hawaii Residential Housing Income Tax Credit; New Construction

Description:

Establishes a refundable Hawaii residential housing income tax credit for qualified taxpayers who purchase a qualified principal residence on or after 4/1/2010, and before 1/1/2012, that is payable to the qualified taxpayer in two equal installments over the immediately following two taxable years. Effective 7/1/2050.

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

