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# 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-     Hotel and resort property construction and  
5 renovation tax credit. (a) There shall be allowed to each  
6 taxpayer, subject to the taxes imposed by this chapter and  
7 chapter 237D, a tax credit which shall be deductible from the  
8 taxpayer's net income tax liability, if any, imposed for the  
9 taxable year in which the credit is properly claimed.

10           The amount of the credit claimed under this section shall  
11 be:

12           (1) Seven per cent of the construction or renovation costs  
13           between \$1,000,000 and \$10,000,000 in the aggregate;

14           and

15           (2) Ten per cent of the construction or renovation costs  
16           over \$10,000,000 to a maximum of \$100,000,000 in the  
17           aggregate,



1 incurred during the taxable year for each qualified hotel  
2 facility located in Hawaii; provided that the amount of credit  
3 claimed shall not include the construction or renovation costs  
4 for which another credit was claimed for the taxable year; and  
5 provided that the construction or renovation costs are incurred  
6 before December 31, 2015.

7 In the case of a partnership, S corporation, estate, trust,  
8 or association of a qualified hotel facility, timeshare owners  
9 association, or any developer of a timeshare project, the tax  
10 credit allowable is for construction or renovation costs  
11 incurred by the entity for the taxable year. The cost upon  
12 which the tax credit is computed shall be determined at the  
13 entity level.

14 If a deduction is taken under Section 179 (with respect to  
15 election to expense depreciable business assets) of the Internal  
16 Revenue Code, no tax credit shall be allowed for that portion of  
17 the construction costs, renovation costs, or both costs for  
18 which the deduction is taken.

19 The basis of eligible property for depreciation or  
20 accelerated cost recovery system purposes for state income taxes  
21 shall be reduced by the amount of credit allowable and claimed.  
22 In the alternative, the taxpayer shall treat the amount of the



1 credit allowable and claimed as a taxable income item for the  
2 taxable year in which it is properly recognized under the method  
3 of accounting used to compute taxable income.

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

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

10 (d) All claims for a tax credit under this section shall  
11 be filed on or before the end of the twelfth month following the  
12 close of the taxable year for which the credit may be claimed.  
13 Failure to comply with the foregoing provision shall constitute  
14 a waiver of the right to claim the credit.

15 (e) The director of taxation shall prepare any forms that  
16 may be necessary to claim a credit under this section. The  
17 director may also require the taxpayer to furnish information to  
18 ascertain the validity of the claim for credit made under this  
19 section and may adopt rules necessary to effectuate the purposes  
20 of this section pursuant to chapter 91.

21 (f) The tax credit allowed under this section shall be  
22 available for taxable years beginning after December 31, 2009,



1 and shall not be available for taxable years beginning after  
2 December 31, 2015.

3 (g) Renovation or construction costs financed, in whole or  
4 in part, with funds that represent government grants,  
5 government-issued loans, or property assessed clean energy  
6 financing, shall not be eligible for the tax credit under this  
7 section.

8 (h) There shall be a total annual cap on tax credits  
9 granted under this section of \$50,000,000.

10 (i) As used in this section:

11 "Construction or renovation cost" means any costs incurred  
12 in Hawaii after December 31, 2009, and before January 1, 2016,  
13 for the plans, design, construction, and equipment related to  
14 new construction, alteration, or modification of a qualified  
15 hotel facility.

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

18 "Qualified hotel facility" means a:

19 (1) Hotel, hotel-condominium, or condominium-hotel as  
20 defined in section 486K-1;

21 (2) Time share facility or project; or



1        (3) Commercial building or facility located within a  
2                    qualified resort area.

3        "Qualified resort area" means an area designated for hotel  
4 use, resort use, or transient vacation rentals, pursuant to  
5 county authority under section 46-4, or where the county, by its  
6 legislative process, designates hotel, transient vacation  
7 rental, or resort use."

8        SECTION 2. New statutory material is underscored.

9        SECTION 3. This Act shall take effect on July 1, 2112, and  
10 shall apply to taxable years beginning after December 31, 2009.



**Report Title:**

Taxation; Hotel Construction and Renovations

**Description:**

Provides a 7-10 percent tax credit for construction and renovations costs on hotel property through December 31, 2015. Effective July 1, 2112. (HB2681 HD1)

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

