
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Senate Concurrent Resolution No. 132, S.D. 1
2 (2009), established a task force to determine the economic
3 contributions of the construction industry in Hawaii and to
4 develop a series of proposals for state actions to preserve and
5 create new jobs in the local construction industry. This Act
6 implements one of the task force's proposals in conjunction with
7 the Abercrombie administration's support for state actions to
8 create new jobs in Hawaii's construction industry.

9 In addition, in 2010, the senate committee on economic
10 development and technology and the house committee on economic
11 revitalization, business, and military affairs convened an
12 informal small business discussion group to address the most
13 critical issues facing the small business sectors within
14 Hawaii's economy. Representatives from The Chamber of Commerce
15 of Hawaii, construction and trades industries, community
16 nonprofits, the agricultural sector, food and restaurant
17 industries, retailing, the science and technology sector, the
18 commercial transportation industry, and interested stakeholders



1 developed a package of bills that address the most pressing
2 problems facing Hawaii's small business community.

3 The purpose of this Act is to support the findings of the
4 small business working group and the recommendations proposed by
5 the construction industry task force to establish a refundable
6 state income tax credit that mirrors a prior federal income tax
7 credit but limits the tax credit to qualified taxpayers that
8 purchase a qualified principal residence on or after April 1,
9 2011, and before January 1, 2013.

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

13 "§235- Ohana residential housing income tax credit. (a)
14 There shall be allowed to each qualified taxpayer subject to the
15 tax imposed by this chapter an ohana residential housing income
16 tax credit, which shall be deductible from the taxpayer's net
17 income tax liability, if any, imposed by this chapter for the
18 taxable year in which the credit is properly claimed.

19 (b) For purposes of this section:

20 "Purchase price" means all direct and indirect costs
21 associated with the purchase of a qualified principal residence,
22 excluding land acquisition costs and escrow closing costs.



1 "Qualified principal residence" means a dwelling or
2 residential unit that:

- 3 (1) Is located in the State;
- 4 (2) Did not previously exist and has been constructed from
5 the ground up;
- 6 (3) Receives a certificate of completion on or after April
7 1, 2011;
- 8 (4) Is occupied by the owner as the owner's primary
9 residence for no less than two hundred seventy days
10 per calendar year in each of two consecutive calendar
11 years immediately following the calendar year in which
12 the closing of escrow was executed; and
- 13 (5) Is eligible for a county homeowner's exemption.

14 A "qualified principal residence" includes a single family home,
15 duplex, condominium, manufactured home, or townhouse.

16 "Qualified taxpayer" means an individual that signs a
17 binding contract to purchase a qualified principal residence on
18 or after April 1, 2011, and before January 1, 2013; provided
19 that the individual closes escrow on the purchase of the
20 individual's newly constructed principal residence on or after
21 April 1, 2011, and before March 1, 2013.



1 (c) The amount of the tax credit shall be equal to the
2 lesser of:

3 (1) Two per cent of the purchase price of the qualified
4 principal residence; or

5 (2) \$6,000;

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

15 (d) If the tax credit under this section exceeds the
16 taxpayer's net income tax liability, the excess of credit over
17 liability shall be refunded to the taxpayer; provided that no
18 refunds or payment on account of the tax credit under this
19 section shall be made for amounts less than \$1. All claims for
20 a tax credit under this section, including amended claims, shall
21 be filed on or before the end of the twelfth month following the
22 close of the taxable year for which the tax credit may be



1 claimed. Failure to comply with the foregoing provision shall
2 constitute a waiver of the right to claim the tax credit.

3 (e) The tax credit under this section is limited to a
4 qualified principal residence with a purchase price of \$625,000
5 or less.

6 (f) Each qualified taxpayer that is taking title to the
7 qualified principal residence shall meet the following adjusted
8 gross income limitations in order for any of the taxpayers that
9 are taking title to the qualified principal residence to be
10 eligible to claim the tax credit under this section:

11 (1) An individual with an adjusted gross income of \$75,000
12 or less;

13 (2) A married couple or a couple in a civil union with a
14 combined adjusted gross income of \$150,000 or less; or

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

17 (g) If a qualified taxpayer sells or no longer resides in
18 the qualified principal residence within seven hundred thirty
19 days after closing escrow on the qualified principal residence,
20 then the taxpayer shall be subject to recapture of the
21 previously claimed credit under this section on a pro rata
22 basis.



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

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act, upon its approval on July 1, 2050,
9 shall apply to taxable years beginning after December 31, 2010.

10



Report Title:

Construction Task Force (2010); Tax Credit; Ohana Residential Housing; New Construction

Description:

Establishes a refundable ohana residential housing income tax credit for qualified taxpayers that purchase a qualified principal residence on or after 04/01/2011, and before 01/01/2013, that is payable to the qualified taxpayer in 2 equal installments over the immediately following 2 taxable years. Effective 7/1/2050. (SD1)

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