
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to spur economic
2 growth through the establishment of a state income tax credit
3 that is available to qualified taxpayers who purchase or remodel
4 a qualified principal residence after March 31, 2012, and before
5 January 1, 2014. The Act also places a \$10,000,000 annual
6 limitation on the available aggregate amount of those tax
7 credits.

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

11 "§235- Residential property purchase, construction, and
12 remodeling tax credit. (a) There shall be allowed to each
13 qualified taxpayer subject to the tax imposed by this chapter a
14 residential construction and remodeling tax credit that shall be
15 deductible from the taxpayer's net income tax liability, if any,
16 imposed by this chapter for the taxable year in which the credit
17 is properly claimed.

18 (b) For purposes of this section:



1 "Construction or remodeling cost" means any costs incurred
2 after December 31, 2011, for the plans, design, construction, or
3 equipment that is permanently affixed to a building or structure
4 related to new construction, alterations, or modifications of a
5 residential apartment unit or house, and performed by a licensed
6 contractor, and shall not include any costs for which another
7 credit is claimed under this chapter.

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

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

13 "Qualified principal residence" means a dwelling or
14 residential unit that:

- 15 (1) Is located in the State;
16 (2) Did not previously exist and has been constructed from
17 the ground up;
18 (3) Receives a certificate of completion after March 31,
19 2012;
20 (4) Is occupied by the owner as the owner's primary
21 residence for no less than two hundred seventy days



1 per year in each of the two consecutive years

2 immediately following close of escrow; and

3 (5) Is eligible for a county homeowner's exemption.

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

6 "Qualified taxpayer" means an individual who:

7 (1) Signs a binding contract to purchase a qualified
8 principal residence with a purchase price of \$800,000
9 or less after March 31, 2012, and before January 1,
10 2014; provided that the individual closes escrow on
11 the purchase of the individual's newly constructed
12 principal residence after March 31, 2012, and before
13 March 1, 2014; or

14 (2) Owns residential real property and incurs construction
15 or remodeling costs during the taxable year for which
16 the credit is claimed; provided that the taxpayer is
17 in compliance with all applicable federal, state, and
18 county statutes rules and regulations and occupies the
19 residential real property as a primary residence;
20 provided further that the costs shall not exceed
21 \$250,000 in the aggregate for each residential unit



1 and that the costs are incurred before January 1,
2 2014;

3 (c) The amount of the tax credit shall be equal to:

4 (1) The lesser of \$9,000 or four per cent of the purchase
5 price of the qualified principal residence; provided
6 that the tax credit shall be available in two equal
7 installments over two consecutive taxable years
8 beginning with the taxable year in which the binding
9 contract to purchase the qualified principal residence
10 is signed; or

11 (2) The lesser of \$3,000 or four per cent of the
12 residential construction or remodeling costs during
13 the taxable year for which the credit is claimed;
14 provided further that the tax credit may be claimed
15 only once for a single residential property; and
16 provided further that if a deduction is taken under
17 section 179 (with respect to election to expense
18 certain depreciable business assets) of the Internal
19 Revenue Code, no tax credit shall be allowed for that
20 portion of the construction or remodeling cost for
21 which the deduction is taken.



1 (d) If the amount of tax credit available under this
2 chapter exceeds the taxpayer's income tax liability, the excess
3 of credit over liability may be used as a credit against the
4 taxpayer's income tax liability in subsequent years until
5 exhausted.

6 (e) All claims, including amended claims, for a tax credit
7 available under this chapter shall be filed on or before the end
8 of the twelfth month following the close of the taxable year for
9 which the credit may be claimed. Failure to comply with the
10 foregoing provision shall constitute a waiver of the right to
11 claim the credit, except as provided in subsection (d).

12 (f) If a qualified taxpayer sells or no longer resides in
13 the qualified principal residence within seven hundred thirty
14 days after closing escrow on the qualified principal residence,
15 then the taxpayer shall be subject to recapture of the
16 previously claimed credit under this section on a pro rata
17 basis.

18 (g) One hundred per cent of the total tax credit claimed
19 for construction or remodeling shall be recaptured if, within
20 the two-year period from completion of the construction or
21 remodeling for which the credit has been claimed, the taxpayer
22 sells the residential real property upon which the construction



1 or remodeling was performed. The amount of the recaptured tax
2 credit determined under this subsection shall be added to the
3 taxpayer's tax liability for the taxable year in which the
4 recapture occurs under this subsection.

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

11 (i) The department of business, economic development, and
12 tourism shall:

13 (1) Maintain records of each qualified taxpayer's total
14 amount of purchase prices and construction or
15 remodeling costs;

16 (2) Verify the total amount of purchase prices and
17 construction or remodeling costs;

18 (3) Certify the total amount of the tax credit for each
19 taxable year, and the cumulative amount of the tax
20 credit during the credit period.

21 Upon each determination, the department of business,
22 economic development, and tourism shall issue a certificate to



1 the taxpayer verifying the qualifying amounts of purchase prices
2 and construction or remodeling costs, the credit amount
3 certified for each taxable year, and the cumulative amount of
4 the tax credit during the credit period. The qualified taxpayer
5 shall file the certificate with the taxpayer's tax return with
6 the department of taxation. Notwithstanding the department of
7 business, economic development, and tourism's certification
8 authority under this section, the director of taxation may audit
9 and adjust certification to conform to the facts.

10 (j) If in any year, the annual amount of credits certified
11 pursuant to subsection (i) reaches \$10,000,000 in the aggregate,
12 the department of business, economic development, and tourism
13 shall immediately discontinue certifying credits and notify the
14 department of taxation. In no instance shall the total amount
15 of certified credits exceed \$10,000,000 per year. To comply
16 with this restriction, the department of business, economic
17 development, and tourism shall certify credits on a first come,
18 first served basis.

19 SECTION 3. New statutory material is underscored.

20 SECTION 4. This Act shall take effect upon its approval
21 and shall apply to taxable years beginning after December 31,
22 2011.



INTRODUCED BY:

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JAN 20 2012



H.B. NO. 2218

Report Title:

Tax Credit; Residential Construction and Remodeling

Description:

Provides qualified homeowners temporary tax credits for purchases of new residential properties and for new construction and remodeling projects on residential properties.

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

