

JAN 25 2012

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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 construction and remodeling tax credit.

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

10           The amount of the credit shall be equal to ten per cent of  
11 the construction or renovation costs incurred by the taxpayer  
12 during the taxable year for each qualified hotel facility  
13 located in Hawaii, and shall not include the construction or  
14 renovation costs for which another credit was claimed under this  
15 chapter for the taxable year; provided that the construction or  
16 renovation costs shall be incurred before July 1, 2017.

17           In the case of a partnership, S corporation, estate, trust,  
18 association of apartment owners of a qualified hotel facility,



1 time share owners association, or any developer of a time share  
2 project, the tax credit allowable is for construction or  
3 renovation costs incurred by the entity for the taxable year.  
4 The cost upon which the tax credit is computed shall be  
5 determined at the entity level. Distribution and share of  
6 credit shall be determined pursuant to section 704(b) (with  
7 respect to partner's distributive share) of the Internal Revenue  
8 Code.

9 If a deduction is taken under section 179 (with respect to  
10 election to expense depreciable business assets) of the Internal  
11 Revenue Code, no tax credit shall be allowed for that portion of  
12 the construction or renovation cost for which the deduction is  
13 taken.

14 The basis of eligible property for depreciation or  
15 accelerated cost recovery system purposes for state income taxes  
16 shall be reduced by the amount of credit allowable and claimed.  
17 In the alternative, the taxpayer shall treat the amount of the  
18 credit allowable and claimed as a taxable income item for the  
19 taxable year in which it is properly recognized under the method  
20 of accounting used to compute taxable income.

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



1           (c) If the tax credit under this section exceeds the  
2 taxpayer's income liability, the excess of credit over liability  
3 may be used as a credit against the taxpayer's income tax  
4 liability in subsequent years until exhausted. All claims for a  
5 tax credit under this section, including amended claims, shall  
6 be filed on or before the end of the twelfth month following the  
7 close of the taxable year for which the credit may be claimed.  
8 Failure to comply with the foregoing provision shall constitute  
9 a waiver of the right to claim the credit.

10           (d) The director of taxation shall prepare any forms that  
11 may be necessary to claim a credit under this section. The  
12 director may also require the taxpayer to furnish information to  
13 ascertain the validity of the claim for credit made under this  
14 section and may adopt rules necessary to effectuate the purpose  
15 of this section pursuant to chapter 91.

16           (e) To qualify for the income tax credit, the taxpayer  
17 shall be in compliance with all applicable federal, state, and  
18 county statutes, rules, and regulations.

19           (f) As used in this section:

20           "Construction or renovation costs" means any costs incurred  
21 after June 30, 2012, and before July 1, 2017, for plans, design,



1 construction, and equipment related to new construction,  
2 alternations, or modifications to a qualified hotel facility.

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

5 "Qualified hotel facility" means a hotel or hotel-  
6 condominium as defined in section 486K-1, and includes a time  
7 share facility or project.

8 "Taxpayer" means a taxpayer under this chapter, and  
9 includes:

10 (1) An association of apartment owners; or

11 (2) A time share owners association.

12 (g) The tax credit allowed under this section shall not  
13 apply to taxable years beginning after December 31, 2017."

14 SECTION 2. New statutory material is underscored.

15 SECTION 3. This Act, upon its approval, shall apply to  
16 taxable years beginning after December 31, 2011.

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INTRODUCED BY:

*James Mercedes K.*  
*Will Ayres*  
*Steven K. Jones*  
*Mattie Roush de Bab*  
*Yvonne...*  
*Fohair...*

*Malana...*  
*Nichelle...*

# S.B. NO. 3049

**Report Title:**

Taxation; Hotel Construction and Remodeling Tax Credit

**Description:**

Establishes a hotel construction and remodeling tax credit of ten per cent of the construction or renovation costs incurred during the taxable year for each qualified hotel facility located in Hawaii; applies to taxable years beginning after 12/31/2011, and ending 12/31/2017.

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

