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# A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

**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-       Location efficiency tax credit. (a) There shall  
5 be allowed to each qualified taxpayer subject to the tax imposed  
6 by this chapter a location efficiency tax credit which shall be  
7 deductible from the taxpayer's net income tax liability, if any,  
8 imposed by this chapter for the taxable year in which the credit  
9 is properly claimed.

10           (b) To be considered for a tax credit under this section  
11 the taxpayer shall submit a location efficiency report to the  
12 corporation. The corporation may grant a tax credit to the  
13 taxpayer if in the corporation's discretion the taxpayer's  
14 location efficiency report demonstrates that the taxpayer seeks  
15 a tax credit for a project to be located in an area that  
16 satisfies this section's standards for affordable workforce  
17 housing or accessible and affordable mass transit.



1       (c) Taxpayers who employ new employees for a project  
2 during the taxable year may receive a tax credit equal to ten  
3 per cent of the new employee's withheld taxes pursuant to  
4 section 235-61; provided that the tax credit may not exceed the  
5 taxpayer's annual state income tax liability for any taxable  
6 year and the tax credit shall be non-refundable.

7       (d) A taxpayer claiming a tax credit under this section  
8 shall annually report to the corporation the number of new  
9 employees employed by the taxpayer for the project and the  
10 amount of taxes withheld by the applicant in connection with the  
11 new employees pursuant to section 235-61.

12       (e) The corporation shall submit to the legislature no  
13 later than twenty days prior to the convening of each regular  
14 session a report on the tax credits allowed under this section  
15 and the corporation's activities, findings, and recommendations  
16 with respect to this section and its extension, amendment, or  
17 repeal.

18       (f) The corporation may adopt rules pursuant to chapter 91  
19 to effectuate the purposes of this section.

20       (g) As used in this section:



1       "Accessible and affordable mass transit" means access to  
2 transit stops with regular and frequent service within one mile  
3 from the project site and pedestrian access to transit stops.

4       "Affordable workforce housing" means owner-occupied or  
5 rental housing that costs, based on current census data for the  
6 municipality where the project is located, no more than thirty-  
7 five per cent of the median salary of employees at the project  
8 site, exclusive of the highest ten per cent of the site's  
9 salaries.

10       "Corporation" means the Hawaii housing finance and  
11 development corporation.

12       "Location efficiency" means a project that maximizes the  
13 use of existing investments in infrastructure, avoids or  
14 minimizes additional government expenditures for new  
15 infrastructure, and has nearby affordable workforce housing or  
16 accessible and affordable mass transit, or some combination of  
17 both.

18       "New employee" means:

19       (A) A full-time employee first employed by a taxpayer in a  
20 location efficient project.

21       (B) The term "new employee" does not include an employee  
22 of the taxpayer who performs a job that was previously



1           performed by another employee, if that job existed for  
2           at least six months before hiring the employee, or a  
3           child, grandchild, parent, or spouse, other than a  
4           spouse who is legally separated from any person who  
5           has a direct or an indirect ownership interest of at  
6           least five per cent in the profits, capital, or value  
7           of the taxpayer."

8           SECTION 2. New statutory material is underscored.

9           SECTION 3. This Act, upon its approval, shall apply to  
10 taxable years beginning after December 31, 2012; provided that  
11 this Act shall be repealed on January 1, 2017.

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INTRODUCED BY: *Theresa...*  
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**Report Title:**

Economic Development; Hawaii Housing Finance and Development Corporation; Location Efficiency Tax Credits

**Description:**

Creates tax credits for proposed projects to be located in areas that are location efficient. Establishes procedures for the Hawaii housing finance and development corporation to determine whether proposed projects meet certain requirements necessary to qualify for the tax credit. Requires the Hawaii housing finance and development corporation to report annually to the legislature. Applies to tax years beginning after December 31, 2012. Repeals on January 1, 2017.

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

