
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the effects of the
2 September 11, 2001, terrorist attacks upon the United States had
3 a devastating effect on Hawaii's economy. In October of 2001,
4 the legislature met in special session to approve emergency
5 measures in response to the attacks. One response was the
6 enactment of Act 10, Third Special Session Laws of Hawaii 2001,
7 which increased the rate of the existing hotel construction and
8 remodeling tax credit. Act 10 altered the tax credit from a
9 four per cent refundable tax credit to a ten per cent
10 nonrefundable credit for costs incurred prior to July 1, 2003,
11 to assist the tourism industry in its efforts to attract more
12 visitors to Hawaii. Act 10 provided the stimulus needed to
13 boost Hawaii's workforce and economy during difficult economic
14 times.

15 The legislature finds that a competitive tax credit like
16 the one provided by Act 10 can provide an excellent means to
17 boost Hawaii's tourism and construction industries.

18 Construction activity in the visitor industry has demonstrated



1 economic multiplier effects due to the maintenance and creation
2 of construction employment and revenues from tourism activities.

3 In 2009, the legislature adopted senate concurrent
4 resolution no. 132, S.D. 1, which established the construction
5 industry task force to determine the economic value of the
6 construction industry in Hawaii. As directed in the concurrent
7 resolution, the task force was charged with developing a series
8 of recommendations to stimulate the construction industry and
9 create new jobs in the local construction industry.
10 Unfortunately, to date, many of the task force's recommendations
11 have yet to be enacted by the legislature. The intent of this
12 Act is to enact and implement one of the recommendations of the
13 task force in an effort to support the local construction
14 industry.

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

18 **"§235- Hotel construction and renovation tax credit.**

19 (a) There shall be allowed to each taxpayer subject to the
20 taxes imposed by this chapter, an income tax credit, which shall
21 be deductible from the taxpayer's net income tax liability, if



1 any, imposed by this chapter for the taxable year in which the
2 credit is properly claimed.

3 The amount of the tax credit shall be per cent of the
4 construction or renovation costs incurred during the taxable
5 year for each qualified hotel facility located in Hawaii, and
6 shall not include the construction or renovation costs for which
7 another credit was claimed under this chapter for the taxable
8 year. The credit shall be available for taxable years beginning
9 on or after January 1, 2015, and shall not be available for
10 taxable years beginning after December 31, 2019.

11 In the case of a partnership, S corporation, estate, trust,
12 association of a qualified hotel facility, time share owners
13 association, or any developer of a time share project, the tax
14 credit allowable is for construction or renovation costs
15 incurred by the entity for the taxable year. The cost upon
16 which the tax credit is computed shall be determined at the
17 entity level. Distribution and share of credit shall be
18 determined under section 704(b) (with respect to partner's
19 distributive share) of the Internal Revenue Code.

20 If a deduction is taken under section 179 (with respect to
21 election to expense certain depreciable business assets) of the
22 Internal Revenue Code, no tax credit shall be allowed for that



1 portion of the construction or renovation cost for which the
2 deduction is taken.

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

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

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

20 (e) The taxpayer shall obtain pre-certification of the tax
21 credit from the department of business, economic development,
22 and tourism prior to incurring any construction costs for which



1 the taxpayer intends to claim a tax credit under this section.
2 Any construction costs that are not pre-certified may not be
3 claimed for purposes of the tax credit on a tax return. The
4 department of business, economic development, and tourism shall
5 not pre-certify any construction costs that do not comply with
6 the type of activity intended to be covered by the tax credit as
7 set forth in this section.

8 (f) To qualify for the income tax credit, the taxpayer
9 shall be in compliance with all applicable federal, state, and
10 county statutes, rules, and regulations, including the federal
11 Davis-Bacon Act and chapter 104.

12 (g) As used in this section:

13 "Construction or renovation cost" means any costs incurred
14 during the taxable year for plans, design, construction, and
15 equipment related to new construction of, alterations to, or
16 modifications to a qualified hotel facility.

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

19 "Qualified hotel facility" means:

20 (1) A hotel or hotel-condominium as defined in section
21 486K-1;

22 (2) A time share facility or project; or



1 (3) Commercial buildings and facilities 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 "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 SECTION 3. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on July 1, 2030, and
14 apply to taxable years beginning after December 31, 2014.



Report Title:

Construction Industry Task Force; Tax Credit; Hotel
Construction; Remodeling; Resort Area

Description:

Establishes a tax credit for qualified hotel facility
construction or renovation costs. Effective July 1, 2030.
(HB1594 HD2)

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