
A BILL FOR AN ACT

RELATING TO ECONOMIC SUSTAINABILITY.

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

10 (b) To qualify for a tax credit under this section, the
11 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) The amount of the tax credit shall be equal to ten per
2 cent of the amount of taxes withheld by the qualified taxpayer,
3 pursuant to section 235-61, from the wages of new employees. If
4 the tax credit under this section exceeds the taxpayer's income
5 tax liability, the excess of the credit over liability may be
6 used as a credit against the taxpayer's income tax liability in
7 subsequent years until exhausted. All claims for the tax credit
8 under this section, including amended claims, shall be filed on
9 or before the end of the twelfth month following the close of
10 the taxable year for which the credit may be claimed. Failure
11 to comply with this subsection shall constitute a waiver of the
12 right to claim the credit.

13 (d) A taxpayer claiming a tax credit under this section
14 shall annually submit a written sworn statement to the
15 corporation, identifying:

- 16 (1) The number of new employees employed by the taxpayer
17 for the project; and
- 18 (2) The amount of taxes withheld by the taxpayer in
19 connection with the new employees, pursuant to section
20 235-61.

21 (e) The corporation shall:



- 1 (1) Maintain records of the names of the qualified
2 taxpayers claiming the tax credit under subsection
3 (a);
- 4 (2) Obtain and total the aggregate amounts of all taxes
5 withheld on wages of new employees per project per
6 taxable year;
- 7 (3) Provide a letter to the director of taxation
8 specifying the amount of the tax credit per qualified
9 taxpayer for each taxable year that a tax credit is
10 claimed and the cumulative amount of the tax credit
11 for all years claimed; and
- 12 (4) Submit to the legislature no later than twenty days
13 prior to the convening of each regular session a
14 report on the tax credit allowed under this section,
15 detailing the withheld taxes that form the basis of
16 the tax credit claims, itemized by qualified taxpayer,
17 in a redacted format to preserve the confidentiality
18 of the taxpayers claiming the credit; provided that
19 the report shall also include the corporation's
20 activities, findings, and recommendations for proposed
21 legislation.



1 Upon each determination required under this subsection, the
2 corporation shall issue a letter to the qualified taxpayer,
3 specifying the tax credit amount qualified for in each taxable
4 year a tax credit is claimed. The qualified taxpayer shall file
5 the letter with the taxpayer's tax return to the department of
6 taxation. Notwithstanding the authority of the corporation
7 under this section, the director of taxation may audit and
8 adjust the tax credit amount to conform to the information filed
9 by the taxpayer.

10 (f) The director of taxation shall prepare forms as may be
11 necessary to claim a credit under this section. The director
12 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 purposes
15 of this section pursuant to chapter 91.

16 (g) As used in this section:

17 "Accessible and affordable mass transit" means access to
18 transit stops with regular and frequent service within one mile
19 from the project site and pedestrian access to transit stops.

20 "Affordable workforce housing" means owner-occupied or
21 rental housing that costs, based on current census data for the
22 municipality where the project is located, no more than thirty-



1 five per cent of the median salary of employees at the project
2 site, exclusive of the highest ten per cent of the site's
3 salaries.

4 "Corporation" means the Hawaii housing finance and
5 development corporation.

6 "Location efficiency" means a project that maximizes the
7 use of existing investments in infrastructure, avoids or
8 minimizes additional government expenditures for new
9 infrastructure, and has nearby affordable workforce housing or
10 accessible and affordable mass transit, or some combination of
11 both.

12 "New employee" means a full-time employee first employed by
13 a taxpayer in a location efficient project. The term "new
14 employee" does not include an employee of the taxpayer who
15 performs a job that was previously performed by another
16 employee, if that job existed for at least six months before
17 hiring the employee, or a child, grandchild, parent, or spouse,
18 other than a spouse who is legally separated from any person who
19 has a direct or an indirect ownership interest of at least five
20 per cent in the profits, capital, or value of the taxpayer.

21 "Qualified taxpayer" means a person who fulfills the
22 requirements of subsection (b)."



1 SECTION 2. New statutory material is underscored.

2 SECTION 3. This Act shall take effect upon its approval,

3 and:

4 (1) Apply to taxable years beginning after December 31,
5 2013; and

6 (2) Be repealed on January 1, 2018.
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INTRODUCED BY:

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JAN 17 2014



H.B. NO. 2085

Report Title:

Economic Sustainability; Hawaii Housing Finance and Development Corporation; Location Efficiency Tax Credit

Description:

Establishes an income tax credit for proposed projects to be located in areas that are location efficient. Establishes procedures for the HHFDC to determine whether proposed projects meet certain requirements necessary to qualify for the tax credit. Requires the HHFDC to report annually to the legislature. Sunset 1/1/2018.

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

