
A BILL FOR AN ACT

RELATING TO TOURISM STIMULUS INCENTIVES.

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

1 SECTION 1. The legislature finds that Hawaii's travel and
2 tourism industry must continue to refresh its product offering
3 to support and attract new and repeat tourists, compete with
4 other global destinations, and continue to distinguish Hawaii as
5 a unique travel and tourist destination. Hawaii cannot continue
6 to rely on aging hotel and resort infrastructure to entice
7 tourists to visit the State. Hawaii is at risk of losing its
8 competitive edge in the tourism industry to emerging tourist
9 destinations that are competing for Hawaii's travel and tourism
10 business. Traditional financing has failed to generate new
11 construction and renovation work and jobs are scarce.

12 The purpose of this Act is to provide the following tourism
13 stimulus incentives:

14 (1) An income tax credit for employers that hire certain
15 individuals at new or renovated hotel and resort
16 facilities for seven years after substantial
17 completion of construction and renovation; and



1 (2) A general excise tax exemption for hotel and resort
2 construction and renovation projects.

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

6 "§235-A Employer tax credit for hiring certain individuals
7 at new or renovated hotel or resort facilities. (a) Each
8 qualified employer shall be allowed a tax credit of 4.5 per cent
9 of wages paid to each qualified employee during the taxable
10 year.

11 (b) All claims for a tax credit under this section shall
12 be filed with the department of taxation on or before the end of
13 the twelfth month following the close of the taxable year for
14 which the credit may be claimed. Failure to claim the credit in
15 compliance with this section shall constitute a waiver of the
16 right to claim the credit.

17 (c) If the tax credit under this section exceeds the
18 taxpayer's income tax liability, the excess of the credit over
19 the liability shall be refunded to the taxpayer; provided that
20 no refunds or payment on account of the tax credits allowed by
21 this section shall be made for amounts less than \$1.



1 (d) The tax credit allowed under this section shall be
2 available for the seven taxable years following the end of the
3 taxable year in which the certified facility was substantially
4 completed pursuant to section 237-A(f).

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

11 (f) As used in this section:

12 "Certified facility" means a hotel facility or resort
13 facility that has been pre-certified by the department under
14 section 237-A(b).

15 "Department" means the department of business, economic
16 development, and tourism.

17 "Qualified employee" means an individual, with respect to
18 the taxable year for which the credit under this section is
19 claimed, who:

20 (1) Was employed at any time during the taxable year by a
21 qualified employer at a certified facility;



1 (2) Certified by signed affidavit or declaration that the
2 individual was not employed for at least forty hours
3 by the qualified employer at the certified facility
4 during the ninety-day period ending on the date the
5 individual began employment at the certified facility;

6 and

7 (3) Was not employed by the qualified employer to replace
8 another employee of the qualified employer at the
9 certified facility unless the other employee was
10 separated from employment voluntarily or for cause.

11 "Qualified employer" means an employer, with respect to the
12 taxable year for which the tax credit under this section is
13 claimed, that owned or operated a certified facility.

14 "Wages" means the hourly wage or salary of the qualified
15 employee."

16 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "§237-A Exemption for hotel and resort construction and
20 renovation. (a) A taxpayer shall be exempt from the taxes
21 imposed by this chapter on the gross income earned from the
22 construction or renovation of a hotel facility or a resort



1 facility upon pre-certification by the department under
2 subsection (b).

3 (b) The department shall pre-certify the construction or
4 renovation of a hotel facility or a resort facility if the
5 application or amended application:

6 (1) Is submitted by the owner, developer, or general
7 contractor of the hotel facility or resort facility at
8 any time before or during construction or renovation
9 of the hotel facility or resort facility;

10 (2) Describes in sufficient detail, the construction or
11 renovation of the hotel facility or resort facility;

12 (3) Estimates the costs of construction or renovation and
13 tax exemptions and credits to be claimed under this
14 section and section 235-A; and

15 (4) Includes all other information required by the
16 department.

17 The department shall adopt procedures, rules, and forms for
18 the pre-certification of the construction or renovation of a
19 hotel facility or resort facility similar to those adopted
20 pursuant to sections 201H-36 and 237-29, to the extent
21 applicable. The department may establish, charge, and collect a



1 reasonable service fee, as necessary, in connection with the
2 pre-certification.

3 (c) The department shall prepare any forms necessary for
4 pre-certification to claim a tax exemption under this section.
5 The department may also require the taxpayer to furnish
6 reasonable information to ascertain the validity of the
7 exemption claimed under this section. The department shall
8 adopt rules necessary to effectuate the purpose of this section,
9 similar to the rules adopted pursuant to section 201H-36 and
10 237-29 to the extent applicable, in accordance with chapter 91.
11 The department may establish, charge, and collect a reasonable
12 service fee as necessary in connection with pre-certification.

13 (d) The taxpayer shall claim and report the exemption on
14 the annual or periodic tax returns required under this chapter
15 for the taxable year or period in which the taxpayer earned the
16 gross income claimed exempt from taxation under this section.

17 (e) With regard to claiming exemptions under this section,
18 the department shall maintain records of the:

- 19 (1) Names of the taxpayers;
20 (2) Amount of the exemption claimed; and
21 (3) Construction or renovation of a hotel facility or
22 resort facility.



1 The department shall prepare an annual report of the records
2 that shall be made public.

3 (f) As used in this section:

4 "Construction or renovation of a hotel facility or a resort
5 facility" means the planning, design, construction, furniture
6 and fixtures that are not part of routine maintenance,
7 materials, and equipment related to new construction,
8 alterations, remediation, or modifications of a hotel facility
9 or a resort facility in the State that is substantially
10 completed by June 30, 2021; provided that

11 (1) The construction or renovation costs exceed
12 \$50,000,000 by June 30, 2021; and

13 (2) The general contractor and any subcontractors of the
14 construction or renovation are signatory parties to
15 collective bargaining agreements with the appropriate
16 construction trade unions covering construction work
17 in the State.

18 Construction or renovation costs shall not include costs
19 incurred as the result of planned or routine maintenance or
20 refurbishments that would ordinarily take place throughout the
21 normal course of business.



1 "Department" means the department of business, economic
2 development, and tourism.

3 "Hotel facility" means a hotel or hotel-condominium as
4 defined in section 486K-1 and includes a time share facility or
5 project.

6 "Resort facility" means a full-service lodging facility
7 that provides access to or offers a range of amenities and
8 recreation facilities to emphasize a leisurely experience and
9 includes commercial, retail, and attraction facilities located
10 within the areas surrounding or related to the lodging facility
11 within the same county in the State.

12 "Substantially completed" means the state of condition at
13 which the hotel facility or resort facility or a portion thereof
14 is sufficiently complete, in accordance with the contract
15 documents, so that the hotel facility or the resort facility or
16 a portion thereof may be occupied or used for its intended
17 purpose, without regard to the completion of furnishings,
18 fixtures, and interior finishes."

19 SECTION 4. Section 238-3, Hawaii Revised Statutes, is
20 amended by amending subsection (j) to read as follows:



1 "(j) The tax imposed by this chapter shall not apply to
 2 any use of property, services, or contracting exempted by
 3 [~~section~~] sections 237-26 [~~or section~~], 237-29[-], or 237-A."

4 SECTION 5. In codifying the new sections added by sections
 5 2 and 3 of this Act, the revisor of statutes shall substitute
 6 appropriate section numbers for the letters used in designating
 7 the new sections in this Act.

8 SECTION 6. Statutory material to be repealed is bracketed
 9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on July 1, 2014;
 11 provided that:

12 (1) Section 2 of this Act shall apply to taxable years
 13 beginning after December 31, 2014; and

14 (2) Sections 3 and 4 of this Act shall apply to taxable
 15 periods beginning after June 30, 2014.

16

INTRODUCED BY:

Tom Brun

AGB
Gary P...
John M. ...
...

Linda Lehigane
Joy A. ...
...
...

[Signature]
[Signature]
[Signature]
[Signature]



H.B. NO. 2169

Report Title:

Tourism Stimulus Incentives; Employer Income Tax Credit; Hotel and Resort Construction and Renovation; GET Exemption

Description:

Provides qualified employers an income tax credit of 4.5 per cent of wages paid to qualified employees for a period after completion of hotel and resort construction or renovation. Provides a general excise tax exemption for certain hotel and resort construction or renovation.

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

