
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 tax credit. (a) There shall
5 be allowed to each taxpayer, subject to the taxes imposed by
6 this chapter, an income tax credit that shall be deductible from
7 the taxpayer's net income tax liability, if any, imposed by this
8 chapter for the taxable year in which the credit is properly
9 claimed.
10 (b) The amount of the credit shall be per cent of
11 the construction costs incurred during the taxable year for each
12 new hotel facility constructed and located in the State and
13 shall not include the construction costs for which another
14 credit was claimed under this chapter for the taxable year.
15 (c) In the case of a partnership, S corporation, estate,
16 or trust, the tax credit shall be determined at the entity
17 level. Distribution and share of credit shall be determined the



1 same as the capital goods excise tax credit under section 235-
2 110.7(a).

3 (d) If a deduction is taken under section 179 (with
4 respect to election to expense certain depreciable business
5 assets) of the Internal Revenue Code, no tax credit shall be
6 allowed for that portion of the construction cost for which the
7 deduction is taken.

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

15 (e) As used in this section:

16 "Construction cost" means any costs incurred during the
17 taxable year for plans, design, construction, and equipment
18 related to construction of a new hotel facility located in the
19 State.

20 "Hotel facility" means an establishment consisting of any
21 building or structure used primarily for the business of
22 providing, for consideration, transient hotel accommodation



1 lodging facilities that furnish, as part of its routine
2 operations, one or more customary lodging services, other than
3 living accommodations and furniture and fixtures, including but
4 not limited to, restaurant facilities, room attendant or bell
5 services, telephone switchboard operations, laundry services, or
6 concierge services, and is subject to the transient
7 accommodations tax under chapter 237D. "Hotel facility" does
8 not include any building or structure that is used, or contains
9 any room that is used, as a "condominium" as defined under
10 section 514B-3 or "time share unit" as defined under section
11 514E-1.

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

14 "Taxpayer" means an owner of a hotel facility located in
15 the State.

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



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

11 (h) The tax credit allowed under this section shall be
12 available for taxable years beginning after December 31, 2014,
13 and shall not be available for taxable years beginning after
14 December 31, 2019."

15 SECTION 2. New statutory material is underscored.

16 SECTION 3. This Act, upon its approval, shall apply to
17 taxable years beginning after December 31, 2014, and ending
18 before January 1, 2020.



Report Title:

New Hotel Construction; Income Tax Credit

Description:

Provides an income tax credit for costs incurred in new hotel construction. (HB2170 HD1)

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