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# 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  
18 pursuant to section 235-110.7(a).



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

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

13        (e) As used in this section:

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

18        "Hotel facility" means an establishment consisting of any  
19 building or structure used primarily for the business of  
20 providing, for consideration, transient hotel accommodation  
21 lodging facilities that furnish, as part of its routine  
22 operations, one or more customary lodging services, other than



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

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

12 "Taxpayer" means an owner of a hotel facility located in  
13 the State.

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

12 SECTION 2. New statutory material is underscored.

13 SECTION 3. This Act shall take effect on July 1, 2030, and  
14 shall apply to taxable years beginning after December 31, 2014.



**Report Title:**

New Hotel Construction; Income Tax Credit

**Description:**

Provides an income tax credit for costs incurred in new hotel construction. Effective July 1, 2030. (HB2170 HD2)

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

