
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 tourism is Hawaii's
2 principal industry, with visitor expenditures estimated to be
3 over \$15,000,000,000 in 2013, representing approximately twenty
4 per cent of Hawaii's economy. Tourists' stays at hotels and
5 resorts, shopping, recreational activities, and attendance at
6 attractions and sporting events contribute significantly to
7 Hawaii's tax base.

8 The legislature further finds that Hawaii's travel and
9 tourism industry must continue to refresh its product offering
10 to support and attract new and repeat travelers, compete with
11 other global destinations, and distinguish Hawaii as a unique
12 travel and tourist destination. Hawaii cannot continue to rely
13 on aging hotel and resort infrastructure and hope for the best.
14 Hawaii is at risk of losing its competitive edge in the travel
15 and tourism industry to emerging tourist destinations that are
16 competing for Hawaii's travel and tourism business. Traditional
17 financing has failed to generate new construction work, and jobs
18 are lacking.



1 The purpose of this Act is to provide an income tax credit
2 for hotel construction for taxable years beginning after
3 December 31, 2014, and ending on or before December 31, 2019.

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

7 "§235- Hotel construction tax credit. (a) There shall
8 be allowed to each taxpayer, subject to the taxes imposed by
9 this chapter, an income tax credit that shall be deductible from
10 the taxpayer's net income tax liability, if any, imposed by this
11 chapter for the taxable year in which the credit is properly
12 claimed.

13 (b) The amount of the credit shall be per cent of
14 the construction costs incurred during the taxable year for each
15 new hotel facility constructed and located in the State and
16 shall not include the construction costs for which another
17 credit was claimed under this chapter for the taxable year.

18 (c) In the case of a partnership, S corporation, estate,
19 or trust, the tax credit shall be determined at the entity
20 level. Distribution and share of credit shall be determined
21 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 3. New statutory material is underscored.

13 SECTION 4. 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 for new hotel construction. Effective July 1, 2030. (SD1)

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