
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 hotel facility constructed and located in the State and shall
16 not include the construction costs for which another credit was
17 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) If the tax credit under this section exceeds the
14 taxpayer's income tax liability, the excess of the tax credit
15 over liability may be used as a credit against the taxpayer's
16 income tax liability in subsequent years until exhausted. All
17 claims, including any amended claims, for tax credits under this
18 section shall be filed on or before the end of the twelfth month
19 following the close of the taxable year for which the credit may
20 be claimed. Failure to comply with the foregoing provision
21 shall constitute a waiver of the right to claim the credit.

22 (f) As used in this section:



1 "Construction costs" means any costs incurred during the
2 taxable year for plans, design, construction, and equipment
3 related to construction of a hotel facility located in the
4 State. "Construction costs" does not include costs incurred for
5 the renovation, alteration, modification, or repair of an
6 existing hotel facility.

7 "Hotel facility" means an establishment:

- 8 (1) Consisting of any building or structure;
9 (2) Used primarily for the business of providing, for
10 consideration, transient hotel accommodation lodging
11 facilities that furnish, as part of its routine
12 operations, one or more customary lodging services,
13 other than living accommodations and furniture and
14 fixtures, including but not limited to restaurant
15 facilities, room attendant or bell services, telephone
16 switchboard operations, laundry services, or concierge
17 services; and
18 (3) Subject to the transient accommodations tax under
19 chapter 237D.

20 "Hotel facility" does not include any building or structure that
21 is used, or contains any room that is used, as a "condominium"



1 or "unit" respectively, as defined under section 514B-3 or "time
2 share unit" as defined under section 514E-1.

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

5 "Taxpayer" means an owner of a hotel facility located in
6 the State.

7 (g) The director of taxation shall prepare any forms that
8 may be necessary to claim a credit under this section. The
9 director may also require the taxpayer to furnish information to
10 ascertain the validity of the claim for credit made under this
11 section and may adopt rules, pursuant to chapter 91, necessary
12 to effectuate the purposes of this section.

13 (h) The department of business, economic development, and
14 tourism shall:

15 (1) Maintain records of the names of the taxpayers and
16 hotel facilities thereof claiming the tax credit under
17 subsection (a);

18 (2) Obtain and total the aggregate amounts of all
19 construction costs per hotel facility per taxable
20 year; and



1 (3) Certify the total amount of the tax credit for each
2 taxable year and the cumulative amount of the tax
3 credit for all years claimed.

4 Upon each determination, the department of business,
5 economic development, and tourism shall issue a certificate to
6 the taxpayer verifying the construction costs, the credit amount
7 certified for each taxable year, and the cumulative amount of
8 the tax credit for all years claimed. The taxpayer shall file
9 the certificate with the taxpayer's tax return with the
10 department of taxation. Notwithstanding the department of
11 business, economic development, and tourism's certification
12 authority under this section, the director of taxation may audit
13 and adjust certification to conform to the facts.

14 (i) The tax credit allowed under this section shall be
15 available for taxable years beginning after December 31, 2014,
16 and shall not be available for taxable years beginning after
17 December 31, 2019."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2030, and
20 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 7/1/2030. (SD2)

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