
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 and chapter 237D, an income tax credit that shall
7 be deductible from the taxpayer's net income tax liability, if
8 any, imposed by this chapter for the taxable year in which the
9 credit is properly 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 The total maximum allowed credits available to all
16 taxpayers for construction costs incurred shall not exceed
17 \$ in any taxable year. The credits over the aggregate



1 annual limit of \$ may be claimed as provided in
2 subsection (g).

3 (c) In the case of a partnership, S corporation, estate,
4 or trust, the tax credit shall be determined at the entity
5 level. Distribution and share of credit shall be the same
6 amount as the capital goods excise tax credit under section 235-
7 110.7(a).

8 (d) If a deduction is taken under section 179 (with
9 respect to election to expense certain depreciable business
10 assets) of the Internal Revenue Code, no tax credit shall be
11 allowed for that portion of the construction cost for which the
12 deduction is taken.

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

20 (e) The credit allowed under this section shall be claimed
21 against the net income tax liability for the taxable year.

22 (f) As used in this section:



1 "Construction cost" means any costs incurred after December
2 31, 2014, for plans, design, construction, and equipment related
3 to construction of a new hotel facility located in the State.

4 "Hotel facility" means an establishment consisting of any
5 building or structure used primarily for the business of
6 providing, for consideration, transient hotel accommodation
7 lodging facilities that furnish, as part of its routine
8 operations, one or more customary lodging services, other than
9 living accommodations and furniture and fixtures, including but
10 not limited to, restaurant facilities, room attendant or bell
11 services, telephone switchboard operations, laundry services, or
12 concierge services, and is subject to the transient
13 accommodations tax under chapter 237D. "Hotel facility" does
14 not include any building or structure that is used, or contains
15 any room that is used, as a "condominium" as defined under
16 section 514B-3 or "time share unit" as defined under section
17 514E-1.

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

20 "Taxpayer" means an owner of a hotel facility located in
21 the State.



1 (g) If the tax credit under this section exceeds
2 \$ _____ for all qualified taxpayers for any taxable year or
3 exceeds the taxpayer's income tax liability, the excess of the
4 credit over liability may be claimed against the taxpayer's
5 income tax liability in subsequent years until exhausted. All
6 claims for the tax credit under this section, including amended
7 claims, shall be filed on or before the end of the twelfth month
8 following the close of the taxable year for which the credit may
9 be claimed. Failure to comply with this subsection shall
10 constitute a waiver of the right to claim the credit.

11 (h) The director of taxation shall prepare forms as may be
12 necessary to claim a credit under this section. The director
13 may also require the taxpayer to furnish information to
14 ascertain the validity of the claim for credit made under this
15 section and may adopt rules necessary to effectuate the purposes
16 of this section pursuant to chapter 91.

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

21 SECTION 2. New statutory material is underscored.



1 SECTION 3. This Act, upon its approval, shall apply to
 2 taxable years beginning after December 31, 2014, and ending
 3 before January 1, 2020.
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H.B. NO. 2171

Report Title:

New Hotel Construction; Income Tax Credit

Description:

Provides an income tax credit for costs incurred in new hotel construction.

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