

JAN 17 2014

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. In 2009, the legislature adopted senate
2 concurrent resolution no. 132, S.D. 1, which established the
3 construction industry task force (task force) to determine the
4 economic value of the construction industry in Hawaii. As
5 directed in the concurrent resolution, the task force was
6 charged with developing a series of recommendations to stimulate
7 the construction industry and create new jobs in the local
8 construction industry. Unfortunately, to date, many of the task
9 force's recommendations have yet to be enacted by the
10 legislature. The intent of this Act is to enact and implement
11 one of the recommendations of the task force in an effort to
12 support the local construction industry.

13 Accordingly, the purpose of this Act is to establish a
14 refundable state income tax credit to qualified taxpayers that
15 purchase a newly constructed qualified principal residence on or
16 after April 1, 2014, and before January 1, 2016.



1 SECTION 2. 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- Ohana residential housing income tax credit. (a)**

5 There shall be allowed to each qualified taxpayer subject to the
6 tax imposed by this chapter an ohana residential housing income
7 tax credit that shall be deductible from the taxpayer's net
8 income tax liability, if any, imposed by this chapter for the
9 taxable year in which the credit is properly claimed.

10 (b) For purposes of this section:

11 "Purchase price" means all direct and indirect costs
12 associated with the purchase of a qualified principal residence,
13 excluding land acquisition costs and escrow closing costs.

14 "Qualified principal residence" means a dwelling or
15 residential unit that:

16 (1) Is located in the State;

17 (2) Did not previously exist and has been constructed from
18 the ground up;

19 (3) Received a certificate of completion on or after
20 April, 1, 2014;

21 (4) Is occupied by the owner as the owner's primary
22 residence for no less than two hundred seventy days



1 per calendar year in each of two consecutive calendar
2 years immediately following the calendar year in which
3 the closing of escrow was executed; and

4 (5) Is eligible for a county homeowner's exemption.

5 A "qualified principal residence" includes a single family home,
6 duplex, condominium, manufactured home, or townhouse.

7 "Qualified taxpayer" means an individual that signs a
8 binding contract to purchase a qualified principal residence on
9 or after April 1, 2014, and before January 1, 2016; provided
10 that the individual closes escrow on the purchase of the
11 qualified principal residence on or after April 1, 2014, and
12 before March 1, 2016.

13 (c) The amount of the tax credit shall be equal to the
14 lesser of:

15 (1) Two per cent of the purchase price of the qualified
16 principal residence; or

17 (2) \$6,000;

18 provided that the tax credit shall be payable in two equal
19 installments over two consecutive taxable years beginning with
20 the taxable year in which the binding contract to purchase the
21 qualified principal residence is signed; provided further that
22 if more than one qualified taxpayer is claiming the tax credit



1 under this section, then the applicable tax credit shall be
2 divided equally between each qualified taxpayer. For purposes
3 of this subsection, a married couple or a couple in a civil
4 union is considered to be one qualified taxpayer.

5 (d) If the tax credit under this section exceeds the
6 taxpayer's net income tax liability, the excess of credit over
7 liability shall be refunded to the taxpayer; provided that no
8 refunds or payment on account of the tax credit under this
9 section shall be made for amounts less than \$1. All claims for
10 a tax credit under this section, including amended claims, shall
11 be filed on or before the end of the twelfth month following the
12 close of the taxable year for which the tax credit may be
13 claimed. Failure to comply with the foregoing provision shall
14 constitute a waiver of the right to claim the tax credit.

15 (e) The tax credit under this section is limited to
16 qualified principal residences with a purchase price of \$625,000
17 or less.

18 (f) Each qualified taxpayer that is taking title to the
19 qualified principal residence shall meet the following adjusted
20 gross income limitations in order for any of the taxpayers that
21 are taking title to the qualified principal residence to be
22 eligible to claim the tax credit under this section:



1 (1) An individual with adjusted gross income of \$75,000 or
2 less;

3 (2) A married couple or a couple in a civil union with an
4 adjusted gross income of \$150,000 or less; and

5 (3) A grantor of any trust with adjusted gross income of
6 \$75,000 or less.

7 (g) If a qualified taxpayer sells or no longer resides in
8 the qualified principal residence within seven hundred thirty
9 days after closing escrow on the qualified principal residence,
10 then the taxpayer shall be subject to recapture of the
11 previously claimed credit under this section on a pro-rata
12 basis.

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

19 SECTION 3. New statutory material is underscored.

20 SECTION 4. This Act, upon its approval, shall apply to

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1 taxable years beginning after December 31, 2013.

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INTRODUCED BY: AM.P. H. B. K.



S.B. NO. 2340

Report Title:

Tax Credit; Residential Housing; New Construction; Construction Industry Task Force

Description:

Establishes a refundable ohana residential housing income tax credit for qualified taxpayers that purchase a qualified principal residence on or after April 1, 2014, and before January 1, 2016, that is payable to the qualified taxpayer in two equal installments over the immediately following two taxable years.

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