
A BILL FOR AN ACT

RELATING TO TOURISM STIMULUS INITIATIVES.

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 and renovation
18 work, and jobs are lacking.



1 The purpose of this Act is to provide an income tax credit
2 for hotel construction and renovation for taxable years
3 beginning on or after January 1, 2015, and ending on or before
4 December 31, 2019.

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

8 "§235- Hotel construction and renovation tax credit.

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

14 (b) The amount of the credit shall be equal to ten per
15 cent of the construction or renovation costs incurred by the
16 taxpayer during the taxable year for each qualified hotel
17 facility located in Hawaii, and shall not include the
18 construction or renovation costs for which another credit was
19 claimed under this chapter for the taxable year.

20 (c) In the case of a partnership, S corporation, estate,
21 trust, association of apartment owners of a qualified hotel
22 facility, time share owners association, or any developer of a



1 time share project, the tax credit allowable is for construction
2 or renovation costs incurred by the entity for the taxable year.
3 The cost upon which the tax credit is computed shall be
4 determined at the entity level. Distribution and share of
5 credit shall be determined pursuant to section 704(b) (with
6 respect to partner's distributive share) of the Internal Revenue
7 Code.

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



1 liability, the excess of credit over liability may be used as a
2 credit against the taxpayer's income tax liability in subsequent
3 years until exhausted. All claims for a tax credit under this
4 section, including amended claims, shall be filed on or before
5 the end of the twelfth month following the close of the taxable
6 year for which the credit may be claimed. Failure to comply
7 with the foregoing provision shall constitute a waiver of the
8 right to claim the credit.

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

15 (g) To qualify for the income tax credit, the taxpayer
16 shall be in compliance with all applicable federal, state, and
17 county statutes, rules, and regulations.

18 (h) As used in this section:

19 "Construction or renovation costs" means any costs incurred
20 during the taxable year for plans, design, construction, and
21 equipment related to new construction, alternations, or
22 modifications to a qualified hotel facility.



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

3 "Qualified hotel facility" means a hotel or hotel-
4 condominium as defined in section 486K-1, and includes a time
5 share facility or project.

6 "Taxpayer" means a taxpayer under this chapter, and
7 includes:

8 (1) An association of apartment owners; or

9 (2) A time share owners association.

10 (i) The tax credit allowed under this section shall apply
11 to taxable years beginning on or after January 1, 2015 and shall
12 not apply to taxable years beginning after December 31, 2019."

13 SECTION 3. New statutory material is underscored.

14 SECTION 4. This Act shall take effect upon its approval.



Report Title:

Income Tax Credit; Hotel Construction and Renovation

Description:

Provides an income tax credit for hotel construction and renovation for taxable years beginning on or after January 1, 2015 and ending on or before December 31, 2019. (SD1)

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

