
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 after December 31, 2014, 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 a hotel construction and
11 renovation tax credit which shall be deductible from the
12 taxpayer's net income tax liability, if any, imposed by this
13 chapter for the taxable year in which the credit is properly
14 claimed.

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

21 (c) In the case of a partnership, S corporation, estate,
22 trust, association of apartment owners of a qualified hotel



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

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

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

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



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

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

16 (g) The department of business, economic development, and
17 tourism shall:

18 (1) Maintain records of the names of the taxpayers and
19 qualified hotel facilities thereof claiming the tax
20 credit under subsection (a);



1 (2) Obtain and total the aggregate amounts of all
2 construction or renovation costs per qualified hotel
3 facility per taxable year; and

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

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

18 (h) To qualify for the tax credit under this section, the
19 taxpayer shall be in compliance with all applicable federal,
20 state, and county statutes, rules, and regulations.

21 (i) As used in this section:



1 "Construction or renovation costs" means any costs incurred
2 during the taxable year for plans, design, construction, and
3 equipment related to new construction, alternations, or
4 modifications to a qualified hotel facility.

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

7 "Qualified hotel facility" means a hotel, hotel-
8 condominium, or condominium-hotel, as defined in section 486K-1,
9 and includes a project, as defined in section 514E-1.

10 "Taxpayer" means a taxpayer under this chapter, and
11 includes:

12 (1) An association of apartment owners; or

13 (2) A time share owners association.

14 (j) 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, 2050, and
20 apply to taxable years beginning after December 31, 2014.



S.B. NO. 2968
S.D. 2

Report Title:

Income Tax Credit; Hotel Construction and Renovation

Description:

Provides an income tax credit for hotel construction and renovation for taxable years beginning after 12/31/2014 and ending on or before 12/31/2019. Effective 7/1/2050. (SD2)

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