
A BILL FOR AN ACT

RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

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

1 SECTION 1. Section 235-17.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "[+]§235-17.5[+] Capital infrastructure tax credit. (a)

4 There shall be allowed to each taxpayer subject to the taxes
5 imposed by this chapter a capital infrastructure tax credit that
6 shall be deductible from the taxpayer's net income tax
7 liability, if any, imposed by this chapter for the taxable year
8 in which the capital infrastructure costs were paid or incurred.

9 (b) For the purpose of this section:

10 "Base investment" means the amount of money invested by an
11 investor.

12 "Capital infrastructure costs" means capital expenditures,
13 as used in section 263 of the Internal Revenue Code and the
14 regulations promulgated thereunder [~~;~~ ~~provided that the~~], or
15 capital expenditures [are] for real property and fixtures that
16 are paid or incurred in connection with the displaced tenant's
17 move of the tenant's current active trade or business to the



1 tenant's new location; provided further that the capital
2 infrastructure costs shall not include amounts for which another
3 credit is claimed[-] under this chapter.

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

6 "Qualified infrastructure tenant" means a business:

7 (1) That currently owns capital or property or maintains
8 an office, operations, or facilities at the former
9 Kapalama military reservation site;

10 (2) Whose principal business is maritime, and waterfront
11 dependent, and is included under the State's plan to
12 relocate the business to piers twenty-four through
13 twenty-eight within Honolulu harbor; and

14 (3) Will be displaced and relocated by the State pursuant
15 to the Kapalama container terminal project.

16 (c) The amount of the tax credit shall be equal to fifty
17 per cent of the capital infrastructure costs paid or incurred by
18 the qualified infrastructure tenant during the taxable year up
19 to a maximum of [~~\$2,500,000~~] \$5,000,000 in [~~capital~~
20 ~~infrastructure costs~~] tax credits per qualified tenant in any
21 taxable year, provided that the qualified infrastructure tenant



1 shall notify the taxpayer claiming the credit under subsection
2 (a) of the amount of capital infrastructure costs which may be
3 claimed. If the capital infrastructure costs paid or incurred
4 by the qualified infrastructure tenant result in a tax credit in
5 excess of \$5,000,000 in any taxable year, the excess capital
6 infrastructure costs may be carried over and applied to a
7 subsequent taxable year or years, until exhausted, for
8 computation of the tax credit.

9 (d) In the case of an entity taxed as a partnership,
10 credit shall be determined at the entity level, but distribution
11 and share of the credit may be determined notwithstanding
12 section 704 of the Internal Revenue Code.

13 (e) The credit allowed under this section shall be claimed
14 against the net income tax liability for the taxable year. If
15 the tax credit under this section exceeds the taxpayer's income
16 tax liability, the excess of the tax credit over liability may
17 be used as a credit against the taxpayer's net income tax
18 liability in subsequent years until exhausted. All claims,
19 including amended claims, for a tax credit under this section
20 shall be filed on or before the end of the twelfth month
21 following the close of the taxable year for which the credit may



1 be claimed. Failure to comply with the foregoing provision
2 shall constitute a waiver of the right to claim the credit.

3 (f) This section shall not apply to taxable years
4 beginning after December 31, 2019.

5 (g) Any credit claimed under this section shall be
6 recaptured following the close of the taxable year for which the
7 credit is claimed if within three years:

8 (1) The qualified infrastructure tenant fails to continue
9 the line of business it conducted as of July 1, 2014;
10 or

11 (2) The interest in the qualified infrastructure tenant,
12 whether in whole or in part, has been sold, exchanged,
13 withdrawn, or otherwise disposed of by the taxpayer
14 claiming a credit under this section.

15 The recapture shall be equal to one hundred per cent of the
16 amount of the total tax credit claimed under this section in the
17 preceding five taxable years, and shall be added to the
18 taxpayer's tax liability for the taxable year in which the
19 recapture occurs pursuant to this subsection.

20 (h) The director of taxation shall prepare any forms that
21 may be necessary to claim a credit under this section. The



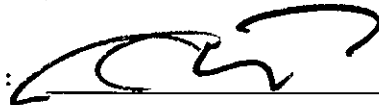
1 director may also require the taxpayer to furnish information to
2 ascertain the validity of the claim for credit made under this
3 section. The director of taxation may adopt rules to effectuate
4 the purposes of this section pursuant to chapter 91."

5 SECTION 2. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 3. This Act, upon its approval, shall apply to
8 taxable years beginning after December 31, 2014.

9

INTRODUCED BY:



JAN 28 2015



H.B. NO. 1167

Report Title:

Tax Credits; Capital Infrastructure; Computation

Description:

Increases from \$2,500,000 to \$5,000,000 the maximum tax credit for qualified tenants per taxable year. Allows capital infrastructure costs exceeding \$5,000,000 for one taxable year to be applied to subsequent tax years. Amends definition of "capital improvement costs".

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

