

---

---

## 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 two new sections to be appropriately  
3 designated and to read as follows:

4           "§235-     Commercial dairy renovation tax credit. (a)  
5 There shall be allowed to each taxpayer subject to the taxes  
6 imposed by this chapter, an income tax credit that shall be  
7 deductible from the taxpayer's net income tax liability, if any,  
8 imposed by this chapter for the taxable year in which the credit  
9 is properly claimed.

10           (b) The amount of the credit shall be                   per cent of  
11 the renovation costs incurred during the taxable year for each  
12 commercial dairy located in Hawaii.

13           (c) In the case of a partnership, S corporation, estate,  
14 trust, or any developer of a commercial building, the tax credit  
15 allowable is for renovation costs incurred by the entity for the  
16 taxable year. The cost upon which the tax credit is computed



1 shall be determined at the entity level. Distribution and share  
2 of credit shall be determined pursuant to section 235-110.7(a).

3 (d) If a deduction is taken under section 179 (with  
4 respect to election to expense certain depreciable business  
5 assets) of the Internal Revenue Code, no tax credit shall be  
6 allowed for that portion of the renovation cost for which the  
7 deduction is taken.

8 (e) The basis of eligible property for depreciation or  
9 accelerated cost recovery system purposes for state income taxes  
10 shall be reduced by the amount of credit allowable and claimed.  
11 In the alternative, the taxpayer shall treat the amount of the  
12 credit allowable and claimed as a taxable income item for the  
13 taxable year in which it is properly recognized under the method  
14 of accounting used to compute taxable income.

15 (f) The credit allowed under this section shall be claimed  
16 against the net income tax liability for the taxable year.

17 (g) If the tax credit under this section exceeds the  
18 taxpayer's income tax liability, the excess of credits over  
19 payments due shall be refunded to the taxpayer; provided that  
20 tax credits properly claimed by an individual who has no income  
21 tax liability shall be paid to the individual; and provided



1 further that no refunds or payment on account of the tax credits  
2 allowed by this section shall be made for amounts less than \$1.

3 (h) The director of taxation shall prepare any forms that  
4 may be necessary to claim a credit under this section. The  
5 director may also require the taxpayer to furnish information to  
6 ascertain the validity of the claim for credit made under this  
7 section. The director of taxation may adopt rules to effectuate  
8 the purposes of this section pursuant to chapter 91.

9 (i) As used in this section:

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

12 "Renovation costs" means costs incurred after December 31,  
13 2015, to plan, design, install, construct, and purchase  
14 equipment to renovate a commercial dairy.

15 (j) No taxpayer that claims a credit under this section  
16 shall claim any other credit under this chapter.

17 §235- Commercial dairy investment tax credit. (a)  
18 There shall be allowed to each taxpayer subject to the taxes  
19 imposed by this chapter a commercial dairy investment tax credit  
20 that shall be deductible from the taxpayer's net income tax  
21 liability, if any, imposed by this chapter for the taxable year



1 in which the investment was made and the following four years  
2 provided the credit is properly claimed. The tax credit shall  
3 be as follows:

4 (1) In the year the investment was made, thirty-five per  
5 cent;

6 (2) In the first year following the year in which the  
7 investment was made, twenty-five per cent;

8 (3) In the second year following the year in which the  
9 investment was made, twenty per cent;

10 (4) In the third year following the year in which the  
11 investment was made, ten per cent; and

12 (5) In the fourth year following the year in which the  
13 investment was made, ten per cent,

14 of the investment made by the taxpayer in each commercial dairy,  
15 up to a maximum allowed credit in the year the investment was  
16 made, \$ \_\_\_\_\_ ; in the first year following the year in which  
17 the investment was made, \$ \_\_\_\_\_ ; in the second year  
18 following the year in which the investment was made,  
19 \$ \_\_\_\_\_ ; in the third year following the year in which the  
20 investment was made, \$ \_\_\_\_\_ ; and in the fourth year



1 following the year in which the investment was made,  
2 \$ \_\_\_\_\_.

3 (b) The credit allowed under this section shall be claimed  
4 against the net income tax liability for the taxable year. For  
5 the purpose of this section, "net income tax liability" means  
6 income tax liability reduced by all other credits allowed under  
7 this chapter.

8 (c) If the tax credit under this section exceeds the  
9 taxpayer's income tax liability for any of the five years that  
10 the credit is taken, the excess of credits over payments due  
11 shall be refunded to the taxpayer; provided that tax credits  
12 properly claimed by an individual who has no income tax  
13 liability shall be paid to the individual; and provided further  
14 that no refunds or payment on account of the tax credits allowed  
15 by this section shall be made for amounts less than \$1.

16 Every claim, including amended claims, for a tax credit  
17 under this section shall be filed on or before the end of the  
18 twelfth month following the close of the taxable year for which  
19 the credit may be claimed. Failure to comply with the foregoing  
20 provision shall constitute a waiver of the right to claim the  
21 credit.



1        (d) If at the close of any taxable year in the five-year  
2 period in subsection (a):

3        (1) The business that the taxpayer invested in under  
4 subsection (a) no longer operates a commercial dairy;

5        (2) The business or an interest in the business has been  
6 sold by the taxpayer investing in the commercial  
7 dairy; or

8        (3) The taxpayer has withdrawn the taxpayer's investment  
9 wholly or partially from the commercial dairy;

10 the credit claimed under this section shall be recaptured. The  
11 recapture shall be equal to ten per cent of the amount of the  
12 total tax credit claimed under this section in the preceding two  
13 taxable years. The amount of the credit recaptured shall apply  
14 only to the investment in the particular commercial dairy that  
15 meets the requirements of paragraph (1), (2), or (3). The  
16 recapture provisions of this subsection shall not apply to a tax  
17 credit claimed for a commercial dairy that does not fall within  
18 the provisions of paragraph (1), (2), or (3). The amount of the  
19 recaptured tax credit determined under this subsection shall be  
20 added to the taxpayer's tax liability for the taxable year in  
21 which the recapture occurs under this subsection.



1       (e) Every taxpayer, before March 31 of each year in which  
2 an investment in a commercial dairy was made in the previous  
3 taxable year, shall submit a written, certified statement to the  
4 director of taxation identifying:

5       (1) Investments, if any, expended in the previous taxable  
6 year; and

7       (2) The amount of tax credits claimed pursuant to this  
8 section, if any, in the previous taxable year.

9       (f) The department of taxation shall:

10       (1) Maintain records of the names and addresses of the  
11 taxpayers claiming the credits under this section and  
12 the total amount of the investment costs upon which  
13 the tax credit is based;

14       (2) Verify the nature and amount of the investments;

15       (3) Total all investments that the department certifies  
16 for each taxable year and on a cumulative basis; and

17       (4) Certify the amount of the tax credit for each taxable  
18 year and cumulative amount of the tax credit.

19       Upon each determination made under this subsection, the  
20 department shall issue a certificate to the taxpayer verifying  
21 information submitted to the department, including investment



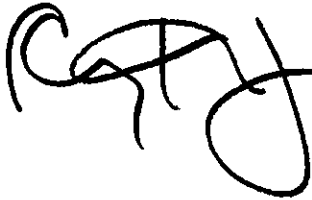

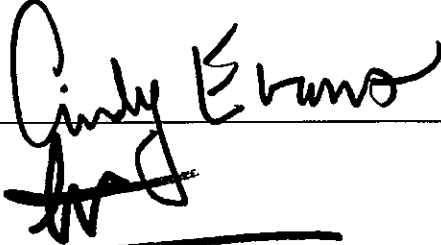

1 amounts, the credit amount certified for each taxable year, and  
2 the cumulative amount of the tax credit during the credit  
3 period. The taxpayer shall file the certificate with the  
4 taxpayer's tax return with the department.

5 The director of taxation may assess and collect a fee to  
6 offset the costs of certifying tax credits claims under this  
7 section. All fees collected under this section shall be  
8 deposited into the tax administration special fund established  
9 under section 235-20.5.

10 (g) 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. The director of taxation may adopt rules to effectuate  
15 the purposes of this section pursuant to chapter 91."

16 SECTION 2. New statutory material is underscored.

17 SECTION 3. This Act, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2015.

19  
INTRODUCED BY:     




# H.B. NO. 2530

**Report Title:**

Commercial Dairies; Income Tax Credits

**Description:**

Establishes income tax credits to incentivize the renovation or investment in commercial dairies in the State.

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

