
A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. Section 201H-15, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) The state aggregate housing credit dollar amount
4 shall be allocated annually as required by section 42 of the
5 Internal Revenue Code of 1986, as amended, by the corporation in
6 an amount equal to [~~\$1.25~~] \$1.75 multiplied by the state
7 population in the calendar year or such greater or lesser amount
8 as provided by section 42(h) of the Internal Revenue Code of
9 1986, as amended."

10 SECTION 2. Section 235-110.8, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "§235-110.8 Low-income housing tax credit. (a) Section
13 42 (with respect to low-income housing credit) of the Internal
14 Revenue Code shall be operative for the purposes of this chapter
15 as provided in this section. A taxpayer owning a qualified low-
16 income building who has been awarded a subaward under section
17 1602 of the American Recovery and Reinvestment Act of 2009,



1 Public Law 111-5, shall also be eligible for the credit provided
2 in this section.

3 (b) Each taxpayer subject to the tax imposed by this
4 chapter, who has filed a net income tax return for a taxable
5 year may claim a low-income housing tax credit against the
6 taxpayer's net income tax liability. The amount of the credit
7 shall be deductible from the taxpayer's net income tax
8 liability, if any, imposed by this chapter for the taxable year
9 in which the credit is properly claimed on a timely basis. A
10 credit under this section may be claimed whether or not the
11 taxpayer claims a federal low-income housing tax credit pursuant
12 to section 42 of the Internal Revenue Code.

13 (c) The amount of the low-income housing tax credit that
14 may be claimed by a taxpayer as provided in subsection (b) shall
15 be as follows:

16 (1) With respect to buildings that are not to be financed
17 with tax-exempt bonds, fifty per cent of the
18 applicable percentage of the qualified basis of each
19 building located in Hawaii[-]; and

20 (2) With respect to buildings that are to be financed with
21 tax-exempt bonds, one hundred per cent of the



1 applicable percentage of the qualified basis of each
2 building located in Hawaii.

3 The applicable percentage shall be calculated as provided in
4 section 42(b) of the Internal Revenue Code.

5 (d) For any qualified low-income building that receives an
6 allocation after December 31, 2016, the amount of the low-income
7 housing tax credits that may be claimed by a taxpayer as
8 provided in subsection (b) shall be:

9 (1) For the first five years:

10 (A) With respect to buildings that are not to be
11 financed with tax-exempt bonds, equal to the
12 amount of the federal low-income housing tax
13 credits that have been allocated to the qualified
14 low-income building pursuant to section 42(b) of
15 the Internal Revenue Code by the corporation; and

16 (B) With respect to buildings that are to be financed
17 with tax-exempt bonds, double the amount of the
18 federal low-income housing tax credits that have
19 been allocated to the qualified low-income
20 building pursuant to section 42(b) of the
21 Internal Revenue Code by the corporation;



1 provided that, if in any year the aggregate amount of
2 credits under this subsection would be such that it
3 would exceed the amount of state credits allocated by
4 the corporation for the qualified low-income building,
5 the credits allowed for that year shall be limited to
6 such amount necessary to bring the total of such state
7 credits (including the current year state credits) to
8 the full amount of state credits allocated to the
9 qualified low-income building by the corporation;

10 (2) For the sixth year, zero, except that, if, and only
11 if, the amount of credits allowed for the first five
12 years is less than the full amount of state credits
13 allocated by the corporation for the qualified low-
14 income building, an amount necessary to bring the
15 amount of the state credits to the full amount
16 allocated by the corporation for the qualified low-
17 income building; and

18 (3) For any remaining years, zero.

19 ~~[(d)]~~ (e) If a subaward under section 1602 of the American
20 Recovery and Reinvestment Act of 2009, Public Law 111-5, has
21 been issued for a qualified low-income building, the amount of



1 the low-income housing tax credits that may be claimed by a
2 taxpayer as provided in subsection (b) shall be equal to fifty
3 per cent of the amount of the federal low-income housing tax
4 credits that would have been allocated to the qualified low-
5 income building pursuant to section 42(b) of the Internal
6 Revenue Code by the corporation had a subaward not been awarded
7 with respect to the qualified low-income building

8 ~~[(e)]~~ (f) For the purposes of this section, the
9 determination of:

- 10 (1) Qualified basis and qualified low-income building
11 shall be made under section 42(c);
- 12 (2) Eligible basis shall be made under section 42(d);
- 13 (3) Qualified low-income housing project shall be made
14 under section 42(g);
- 15 (4) Recapture of credit shall be made under section 42(j),
16 except that the tax for the taxable year shall be
17 increased under section 42(j)(1) only with respect to
18 credits that were used to reduce state income taxes;
19 and
- 20 (5) Application of at-risk rules shall be made under
21 section 42(k);



1 of the Internal Revenue Code.

2 ~~[(f)]~~ (g) As provided in section 42(e), rehabilitation
3 expenditures shall be treated as a separate new building and
4 their treatment under this section shall be the same as in
5 section 42(e). The definitions and special rules relating to
6 credit period in section 42(f) and the definitions and special
7 rules in section 42(i) shall be operative for the purposes of
8 this section.

9 ~~[(g)]~~ (h) The state housing credit ceiling under section
10 42(h) shall be zero for the calendar year immediately following
11 the expiration of the federal low-income housing tax credit
12 program and for any calendar year thereafter, except for the
13 carryover of any credit ceiling amount for certain projects in
14 progress which, at the time of the federal expiration, meet the
15 requirements of section 42.

16 ~~[(h)]~~ (i) The credit allowed under this section shall be
17 claimed against net income tax liability for the taxable year.
18 For the purpose of deducting this tax credit, net income tax
19 liability means net income tax liability reduced by all other
20 credits allowed the taxpayer under this chapter.



1 [A] Subject to subsection (d), a tax credit under this
2 section that exceeds the taxpayer's income tax liability may be
3 used 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 shall be filed on or before the end of the
6 twelfth month following the close of the taxable year for which
7 the credit may be claimed. Failure to properly and timely claim
8 the credit shall constitute a waiver of the right to claim the
9 credit. A taxpayer may claim a credit under this section only
10 if the building or project is a qualified low-income housing
11 building or a qualified low-income housing project under section
12 42 of the Internal Revenue Code.

13 Section 469 (with respect to passive activity losses and
14 credits limited) of the Internal Revenue Code shall be applied
15 in claiming the credit under this section.

16 [~~(i)~~] (j) In lieu of the credit awarded under this section
17 for a qualified low-income building that has been awarded
18 federal credits that are subject to the state housing credit
19 ceiling under section 42(h)(3)(C) of the Internal Revenue
20 Code~~[,]~~ or federal credits that are allocated pursuant to
21 section 42(h)(4) of the Internal Revenue Code, or a subaward



1 under section 1602 of the American Recovery and Reinvestment Act
2 of 2009, Public Law 111-5, the taxpayer owning the qualified
3 low-income building may make a request to the corporation for a
4 loan under section 201H-86. If the taxpayer elects to receive
5 the loan pursuant to section 201H-86, the taxpayer shall not be
6 eligible for the credit under this section.

7 [~~(j)~~] (k) The director of taxation may adopt any rules
8 under chapter 91 and forms necessary to carry out this section."

9 SECTION 3. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 2050;
12 provided that section 2 shall apply to taxable years beginning
13 after December 31, 2016.



Report Title:

Low-income Housing Tax Credit

Description:

Bases the amount of the tax credit on whether or not a building is financed by tax-exempt bonds. Increases funding for affordable rental housing development by making the State Low-Income Housing Tax Credit more valuable. Reduces State Tax Credit period from ten to five years. (HB2744 HD1)

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