
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
6 in an amount equal to [~~\$1.25 multiplied by the state population~~
7 ~~in the calendar year or such greater or lesser]~~ the amount [as
8 ~~provided by]~~ allocated to the state under section 42(h) of the
9 Internal Revenue Code of 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]~~ For any qualified low-income building that
14 receives an allocation prior to January 1, 2017, the amount of
15 the low-income housing tax credit that may be claimed by a
16 taxpayer as provided in subsection (b) shall be fifty per cent
17 of the applicable percentage of the qualified basis of each
18 building located in Hawaii. The applicable percentage shall be
19 calculated as provided in section 42(b) of the Internal Revenue
20 Code.



1 (d) For any qualified low-income building that receives an
2 allocation after December 31, 2016, and which is not financed
3 with tax exempt bonds, the amount of the low-income housing tax
4 credits that may be claimed by a taxpayer as provided in
5 subsection (b) shall be:

6 (1) For the first five years, equal to the amount of the
7 federal applicable percentage of the qualified basis
8 pursuant to section 42(b) of the Internal Revenue
9 Code; provided that if in any year the aggregate
10 amount of credits under this subsection would exceed
11 the amount of state credits allocated by the
12 corporation for the qualified low-income building, the
13 credits allowed for that year shall be limited to the
14 amount necessary to bring the total of such state
15 credits, including the current year state credits, to
16 the full amount of state credits allocated to the
17 qualified low-income building by the corporation;

18 (2) For the sixth year, zero, except that if the amount of
19 credits allowed for the first five years is less than
20 the full amount of state credits allocated by the
21 corporation for the qualified low-income building, an



1 amount necessary to bring the amount of the state
2 credits to the full amount allocated by the
3 corporation for the qualified low-income building; and

4 (3) For any remaining years, zero.

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

10 (1) For the first five years, twice the amount of the
11 federal applicable percentage of the qualified basis
12 pursuant to section 42(b) of the Internal Revenue
13 Code; provided that if in any year the aggregate
14 amount of credits under this subsection would exceed
15 the amount of state credits allocated by the
16 corporation for the qualified low-income building, the
17 credits allowed for that year shall be limited to such
18 amount necessary to bring the total of such state
19 credits, including the current year state credits, to
20 the full amount of state credits allocated to the
21 qualified low-income building by the corporation;



1 (2) For the sixth year, zero, except that if the amount of
2 credits allowed for the first five years is less than
3 the full amount of state credits allocated by the
4 corporation for the qualified low-income building, an
5 amount necessary to bring the amount of the state
6 credits to the full amount allocated by the
7 corporation for the qualified low-income building; and
8 (3) For any remaining years, zero.

9 (f) In no event shall the total amount of state credits
10 over the ten year period exceed:

11 (1) For buildings not financed with tax exempt bonds,
12 fifty per cent of the total federal credits allocated
13 to the qualified low-income building over the ten year
14 period; and

15 (2) For buildings financed with tax exempt bonds, one
16 hundred per cent of the total federal credits
17 allocated to the qualified low-income building over
18 the ten year period.

19 ~~(d)~~ (g) 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~~] (h) 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) [~~7~~] of the Internal
12 Revenue Code;
- 13 (2) Eligible basis shall be made under section 42(d);
- 14 (3) Qualified low-income housing project shall be made
15 under section 42(g) [~~7~~] of the Internal Revenue Code;
16 and
- 17 (4) Recapture of credit shall be made under section 42(j),
18 except that the tax for the taxable year shall be
19 increased under section 42(j)(1) of the Internal
20 Revenue Code only with respect to credits that were
21 used to reduce state income taxes [~~7~~ and



1 ~~(5)~~ ~~Application of at risk rules shall be made under~~
2 ~~section 42(k),~~
3 ~~of the Internal Revenue Code]~~.

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

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

18 ~~[(h)]~~ (k) The credit allowed under this section shall be
19 claimed against net income tax liability for the taxable year.
20 For the purpose of deducting this tax credit, net income tax



1 liability means net income tax liability reduced by all other
2 credits allowed the taxpayer under this chapter.

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

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

18 ~~[(i)]~~ (1) In lieu of the credit awarded under this section
19 for a qualified low-income building that has been awarded
20 federal credits that are subject to the state housing credit
21 ceiling under section 42(h)(3)(C) of the Internal Revenue



1 Code~~[7]~~ or federal credits that are allocated pursuant to
2 section 42(h)(4) of the Internal Revenue Code, or a subaward
3 under section 1602 of the American Recovery and Reinvestment Act
4 of 2009, Public Law 111-5, the taxpayer owning the qualified
5 low-income building may make a request to the corporation for a
6 loan under section 201H-86. If the taxpayer elects to receive
7 the loan pursuant to section 201H-86, the taxpayer shall not be
8 eligible for the credit under this section.

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

11 SECTION 3. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

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



Report Title:

Low-income Housing Tax Credit

Description:

Bases the amount of the state low-income housing tax credit (LIHTC) on whether or not a building is financed by tax-exempt bonds. Increases funding for affordable rental housing development by making the state LIHTC more valuable by reducing the term over which the state LIHTC may be taken from ten to five years. Takes effect 7/1/2050. (SD1)

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