



- 1           (4) A local housing authority;
- 2           (5) A community redevelopment agency;
- 3           (6) A historic preservation district agency or
- 4                 organization;
- 5           (7) A Regional workforce board;
- 6           (8) A direct-support organization;
- 7           (9) An enterprise zone development agency;
- 8           (10) A community-based organization which is recognized as
- 9                 educational, charitable, or scientific pursuant to
- 10                section 501(c)(3) of the Internal Revenue Code and
- 11                whose bylaws and articles of incorporation include
- 12                affordable housing, economic development, or community
- 13                development as the primary mission of the corporation;
- 14           (11) Units of local government;
- 15           (12) Units of state government; or
- 16           (13) Such other agency as the department of taxation may
- 17                designate by rule.

18           "Qualified business" means any business located in Hawaii  
19 that has been approved by the department to participate in the  
20 community contribution program.



1 "Qualified sponsor" means an eligible sponsor that has been  
2 approved by the department to participate in the community  
3 contribution program.

4 § -2 Community contribution program; eligibility;  
5 qualified businesses and sponsors. (a) There is established  
6 within the department of business, economic development, and  
7 tourism, the community contribution program, which provides  
8 incentives to qualified business that make qualified community  
9 contributions to qualified sponsors for qualified community  
10 development projects.

11 (b) Any eligible business may apply to participate in the  
12 community contribution program and thereby become a qualified  
13 business eligible for the incentives available pursuant to this  
14 chapter and section 235- . No qualified business shall have a  
15 financial interest in a qualified sponsor.

16 (c) Any eligible sponsor may apply to participate in the  
17 community contribution program and thereby become a qualified  
18 sponsor eligible to solicit qualified community contributions  
19 pursuant to this chapter. No eligible sponsor shall receive  
20 qualified community contributions prior to being approved as a  
21 qualified sponsor by the department.



1           §   -3 Applications; requirements. (a) Any eligible  
2 sponsor may apply to participate in the community contribution  
3 program by submitting an application to the department that sets  
4 forth the qualified community development project to be  
5 supported, area in which the project is to be located, and any  
6 supporting information required by the department through the  
7 adoption of administrative rules.

8           (b) Any eligible business may apply to participate in the  
9 community contribution program by submitting an application to  
10 the department that sets forth the qualified sponsor and  
11 qualified community development project to be supported and the  
12 type, value, and purpose of the qualified community  
13 contribution. The qualified sponsor shall verify in writing the  
14 terms of the application and receipt of the community  
15 contribution and shall include the written verification shall be  
16 submitted by the eligible business with the proposal.

17           §   -4 Qualified community contributions. (a) Qualified  
18 community contributions shall include but not be limited to the  
19 following:

- 20           (1) Cash;
- 21           (2) Property;



- 1           (3) Goods;
- 2           (4) Project development impact and management fees;
- 3           (5) Down payment and closing costs;
- 4           (6) Housing counseling and marketing fees not to exceed
- 5           ten per cent of the donation; or
- 6           (7) Removal of liens recorded against residential property
- 7           by county or state agencies,
- 8 made by an eligible business to a qualified sponsor. Dues and
- 9 services shall not constitute qualified community contributions.

10           (b) Qualified community contributions shall not be used to

11 pay any administrative or operational costs of the eligible

12 sponsor.

13           § -5 Qualified community development projects. (a)

14 Qualified community development projects are projects that:

- 15           (1) Provide, construct, improve, or substantially
- 16           rehabilitate housing, commercial, industrial, or
- 17           public facilities, or to promote entrepreneurial or
- 18           job development opportunities for low-income persons;
- 19           (2) Increase access to high-speed broadband capability in
- 20           rural communities; or



1           (3) Are designed to provide, construct, or rehabilitate  
2           housing for low-income or very-low-income persons or  
3           for persons with special needs.

4           (b) Qualified community development projects shall be  
5 located within an area designated as an enterprise zone pursuant  
6 to chapter 209E; provided that any project designed to construct  
7 or rehabilitate housing for low-income or very-low-income  
8 households or provide housing opportunities for persons with  
9 special needs is exempt from the area requirement pursuant to  
10 this subsection.

11           (c) This section does not preclude projects that propose  
12 to construct or rehabilitate housing for low-income or very-low-  
13 income households on scattered sites or provide housing  
14 opportunities for persons with special needs.

15           (d) The department shall periodically monitor all  
16 qualified community development projects in a manner consistent  
17 with available resources to ensure that resources are utilized  
18 pursuant to this chapter; provided that each project shall be  
19 reviewed no less than once every two years.

20           § -6 Community contribution program tax credit. (a)  
21 Each qualified business may apply for and receive the community



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1 contribution program tax credit as provided under section  
2 235- .

3 (b) Any qualified community contribution for which a  
4 qualified business claims a tax credit pursuant to section  
5 235- shall be used exclusively for qualified community  
6 development projects.

7 (c) Each qualified business shall submit to the department  
8 a form to be supplied by the department that provides the  
9 information necessary for the department to determine if it may  
10 certify the applicability of the tax credits provided in section  
11 235- .

12 (d) The form referred to in subsection (c) shall be prima  
13 facie evidence of the eligibility of a qualified business for  
14 the purposes of the tax credit.

15 (e) Any approval or disapproval by the department of a  
16 certification for the tax credit shall be in writing. If the  
17 certification is approved, the notification shall state the  
18 maximum tax credits allowable to the qualified business. A copy  
19 of the decision shall be transmitted to the director of  
20 taxation, who shall apply such tax credits to the tax liability  
21 of the qualified business pursuant to section 235- .



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1           §   -7 Adoption of rules. The department may adopt rules,  
 2 pursuant to chapter 91, to effectuate the purposes of this  
 3 chapter, including rules for the approval or disapproval of  
 4 proposals by eligible businesses for participation in the  
 5 community contribution program."

6           SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
 7 amended by adding a new section to be appropriately designated  
 8 and to read as follows:

9           "§235- Community contribution program tax credit. (a)  
 10 There shall be allowed to each qualified business, as defined in  
 11 section -1, subject to the tax imposed by this chapter a  
 12 community contribution program tax credit which shall be  
 13 deductible from the taxpayer's net income tax liability, if any,  
 14 imposed by this chapter for the taxable year in which the credit  
 15 is properly claimed.

16           (b) The tax credits shall be for projects that provide  
 17 housing opportunities for persons with special needs and  
 18 homeownership opportunities for low-income or very-low-income  
 19 households. The amount of the tax credit shall be equal to  
 20 fifty per cent of a qualified community contribution, as defined  
 21 in section -1, against any tax imposed by this chapter. A





1 maximum of \$200,000 of tax credits in the aggregate for all  
2 eligible taxpayers may be used in any one taxable year.

3 (c) The total amount of tax credits that may be granted  
4 for all programs under this section shall be \$ \_\_\_\_\_ in  
5 fiscal year 2016-2017, \$ \_\_\_\_\_ in fiscal year 2017-2018,  
6 \$ \_\_\_\_\_ in fiscal year 2018-2019, and \$ \_\_\_\_\_ in fiscal  
7 year 2019-2020.

8 (d) If the tax credit under this section exceeds the  
9 taxpayer's net income tax liability, the excess of credit over  
10 liability may be used as a tax credit against the taxpayer's net  
11 income tax liability in subsequent years until exhausted. For  
12 the purposes of this section, "net income tax liability" means  
13 net income tax liability reduced by all other credits allowed  
14 under this chapter. All claims for a tax credit under this  
15 section, including amended claims, shall be filed on or before  
16 the end of the twelfth month following the close of the taxable  
17 year for which the tax credit may be claimed. Failure to comply  
18 with the foregoing provision shall constitute a waiver of the  
19 right to claim the tax credit.

20 (e) In the case of a partnership, S corporation, estate,  
21 or trust, the tax credit allowable is for the qualified costs



1 incurred by the entity for the taxable year. The cost upon  
2 which the tax credit is computed shall be determined at the  
3 entity level. Distribution and share of the tax credit shall be  
4 determined pursuant to section 704(b) (with respect to partner's  
5 distributive share) of the Internal Revenue Code.

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

12 (g) If, during the first ten business days of the fiscal  
13 year, eligible tax credit application for projects that provide  
14 housing opportunities for persons with special needs or  
15 homeownership opportunities for low-income or very-low-income  
16 households are received for less than the annual tax credits  
17 available for those projects, the tax credits for those  
18 applications shall be granted on a first-come, first-served  
19 basis for any subsequent eligible forms received before the end  
20 of the fiscal year. If, during the first ten business days of  
21 the fiscal year, eligible tax credit applications for projects



1 that provide housing opportunities for persons with special  
2 needs or homeownership opportunities for low-income or very-low-  
3 income households are received for more than the annual tax  
4 credits available for those projects, the tax credits shall for  
5 those applications shall be granted as follows:

6 (1) If tax credit applications submitted for approved  
7 projects of an eligible sponsor do not exceed \$200,000  
8 in total, the tax credit shall be granted in full if  
9 the tax credit applications are approved; and

10 (2) If tax credit applications submitted for approved  
11 projects of an eligible sponsor exceed \$200,000 in  
12 total, the amount of tax credits granted under  
13 paragraph (1) shall be subtracted from the amount of  
14 available tax credits and the remaining tax credits  
15 shall be granted to each approved tax credit  
16 application on a pro rata basis.

17 (h) If, during the first ten business days of the fiscal  
18 year, eligible tax credit applications for projects other than  
19 those that provide housing opportunities for persons with  
20 special needs or homeownership opportunities for low-income or  
21 very-low-income households are received for less than the annual



1 tax credits available for those projects, the tax credits for  
 2 those applications shall be granted on a first-come, first-  
 3 served basis for any subsequent eligible forms received before  
 4 the end of the fiscal year. If, during the first ten business  
 5 days of the fiscal year, eligible tax credit applications for  
 6 projects other than those that provide housing opportunities for  
 7 persons with special needs or homeownership opportunities for  
 8 low-income or very-low-income households are received for more  
 9 than the annual tax credits available for those projects, the  
 10 tax credits for those applications shall be granted on a pro  
 11 rata basis."

12 SECTION 3. New statutory material is underscored.

13 SECTION 4. This Act, upon its approval, shall apply to  
 14 taxable years beginning after December 31, 2015, and shall be  
 15 repealed on June 30, 2020.

16

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# S.B. NO. 2517

**Report Title:**

Community Contribution Program; Tax Credit; Low-income Housing;  
Community Development

**Description:**

Establishes a community contribution program that offers tax incentives to encourage Hawaii businesses to make donations toward community development and housing projects for low-income persons. Repeals 6/30/2020.

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

