
A BILL FOR AN ACT

RELATING TO TOURISM STIMULUS INITIATIVES.

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

1 SECTION 1. The legislature finds that tourism is Hawaii's
2 principal industry, with visitor expenditures estimated to be
3 over \$15,000,000,000 in 2013, representing approximately twenty
4 per cent of Hawaii's economy. Tourists' stays at hotels and
5 resorts, shopping, recreational activities, and attendance at
6 attractions and sporting events contribute significantly to
7 Hawaii's tax base.

8 The legislature further finds that Hawaii's travel and
9 tourism industry must continue to refresh its product offering
10 to support and attract new and repeat travelers, compete with
11 other global destinations, and distinguish Hawaii as a unique
12 travel and tourist destination. Hawaii cannot continue to rely
13 on aging hotel and resort infrastructure and hope for the best.
14 Hawaii is at risk of losing its competitive edge in the travel
15 and tourism industry to emerging tourist destinations that are
16 competing for Hawaii's travel and tourism business. Traditional
17 financing has failed to generate new construction and renovation
18 work, and jobs are lacking.



1 The purpose of this Act is to provide an income tax credit
2 for hotel construction and renovation for taxable years
3 beginning after December 31, 2014, and ending on December 31,
4 2019.

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

8 **"§235- Hotel construction and renovation tax credit.**

9 (a) There shall be allowed to each taxpayer subject to the
10 taxes imposed by this chapter a hotel construction and
11 renovation tax credit which shall be deductible from the
12 taxpayer's net income tax liability, if any, imposed by this
13 chapter for the taxable year in which the credit is properly
14 claimed.

15 (b) The amount of the credit shall be equal to per
16 cent of the construction or renovation costs incurred by the
17 taxpayer during the taxable year for each qualified hotel
18 facility located in Hawaii, and shall not include the
19 construction or renovation costs for which another credit was
20 claimed under this chapter for the taxable year.



1 (c) In the case of a partnership, S corporation, estate,
2 trust, association of apartment owners of a qualified hotel
3 facility, time share owners association, or any developer of a
4 time share project, the tax credit allowable is for construction
5 or renovation costs incurred by the entity for the taxable year.
6 The cost upon which the tax credit is computed shall be
7 determined at the entity level. Distribution and share of
8 credit shall be determined pursuant to section 704(b) (with
9 respect to partner's distributive share) of the Internal Revenue
10 Code.

11 (d) If a deduction is taken under section 179 (with
12 respect to election to expense depreciable business assets) of
13 the Internal Revenue Code, no tax credit shall be allowed for
14 that portion of the construction or renovation cost for which
15 the deduction is taken.

16 The basis of eligible property for depreciation or
17 accelerated cost recovery system purposes for state income taxes
18 shall be reduced by the amount of credit allowable and claimed.
19 In the alternative, the taxpayer shall treat the amount of the
20 credit allowable and claimed as a taxable income item for the



1 taxable year in which it is properly recognized under the method
2 of accounting used to compute taxable income.

3 (e) The credit allowed under this section shall be claimed
4 against the net income tax liability for the taxable year. If
5 the tax credit under this section exceeds the taxpayer's income
6 liability, the excess of credit over liability may be used as a
7 credit against the taxpayer's income tax liability in subsequent
8 years until exhausted. All claims for a tax credit under this
9 section, including amended claims, shall be filed on or before
10 the end of the twelfth month following the close of the taxable
11 year for which the credit may be claimed. Failure to comply
12 with the foregoing provision shall constitute a waiver of the
13 right to claim the credit.

14 (f) The director of taxation shall prepare any forms that
15 may be necessary to claim a credit under this section. The
16 director may also require the taxpayer to furnish information to
17 ascertain the validity of the claim for credit made under this
18 section and may adopt rules necessary to effectuate the purpose
19 of this section pursuant to chapter 91.

20 (g) The department of business, economic development, and
21 tourism shall obtain and certify information as follows:



1 A taxpayer claiming a credit under this section shall
2 complete and file with the department of business, economic
3 development, and tourism, through the department's website, an
4 annual survey on electronic forms prepared and prescribed by the
5 department of business, economic development, and tourism. The
6 annual survey shall be filed before June 30 of each calendar
7 year following the calendar year in which the credit may be
8 claimed under this section. The department of business,
9 economic development, and tourism may adjust the due date of the
10 annual survey by rules adopted pursuant to chapter 91. Failure
11 by the taxpayer to submit the annual survey by the due date
12 established under this subsection shall be deemed to be a waiver
13 of the right to claim the credit under this section.

14 The annual survey shall include the following information
15 for the time period or periods specified by the department of
16 business, economic development, and tourism:

- 17 (1) The names of the taxpayers and qualified hotel
18 facilities thereof claiming the tax credit under this
19 section;
- 20 (2) The aggregate amounts of construction or renovation
21 costs per qualified hotel facility per taxable year;



- 1 (3) The total amount of the tax credit for each taxable
2 year and the cumulative amount of the tax credit for
3 all years claimed;
- 4 (4) Hawaii employment and wage data, including the number
5 of full-time and part-time employees employed to
6 perform construction or renovation services; and
- 7 (5) Certification that the laborers and mechanics who
8 performed the work were paid pursuant to chapter 104.

9 The department of business, economic development, and
10 tourism shall request information in each of these categories
11 sufficient to measure the effectiveness of the tax credit under
12 this section, and may request any additional, nonduplicative
13 information necessary to measure the effectiveness of the tax
14 credit.

15 (h) To qualify for the income tax credit, the taxpayer
16 shall be in compliance with all applicable federal, state, and
17 county statutes, rules, and regulations. Pursuant to sections
18 104-2 and 104-3, certified copies of all payrolls shall be
19 submitted to the department of labor and industrial relations.
20 To qualify for the tax credit under this section, certification



1 of compliance with chapter 104 by the department of labor and
2 industrial relations shall be required.

3 (i) As used in this section:

4 "Construction or renovation costs" means any costs incurred
5 during the taxable year for plans, design, construction, and
6 equipment related to new construction, alterations, or
7 modifications to a qualified hotel facility.

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

10 "Qualified hotel facility" means a hotel, as defined in
11 section 486K-1, and includes a project, as defined in section
12 514E-1.

13 "Taxpayer" means a taxpayer under this chapter, and
14 includes:

15 (1) An association of apartment owners; or

16 (2) A time share owners association.

17 (j) The tax credit allowed under this section shall be
18 available for taxable years beginning after December 31, 2014,
19 and shall not be available for taxable years beginning after
20 December 31, 2019."

21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2015, and
2 shall apply to taxable years beginning after December 31, 2014.



Report Title:

Income Tax Credit; Hotel Construction and Renovation

Description:

Provides an income tax credit for qualified hotel construction and renovation for taxable years beginning in the period after December 31, 2014, through December 31, 2019. (SD1)

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

