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# A BILL FOR AN ACT

RELATING TO THE LOW-INCOME HOUSING TAX CREDIT.

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

1           SECTION 1. Section 235-110.8, Hawaii Revised Statutes, is  
2 amended as follows:

3           1. By amending subsection (f) to read:

4           "(f) For the purposes of this section, the determination  
5 of:

6           (1) Qualified basis and qualified low-income building  
7 shall be made under section 42(c) [7] of the Internal  
8 Revenue Code;

9           (2) Eligible basis shall be made under section 42(d) [7] of  
10 the Internal Revenue Code;

11           (3) Qualified low-income housing project shall be made  
12 under section 42(g) [7] of the Internal Revenue Code;  
13 and

14           (4) Recapture of credit shall be made under section  
15 42(j) [7] of the Internal Revenue Code, except that the  
16 tax for the taxable year shall be increased under  
17 section 42(j) (1) of the Internal Revenue Code, only



1 with respect to credits that were used to reduce state  
2 income taxes [~~and~~

3 ~~(5) Application of at risk rules shall be made under~~  
4 ~~section 42(k),~~

5 ~~of the Internal Revenue Code]."~~

6 2. By amending subsection (i) to read:

7 "(i) The credit allowed under this section shall be  
8 claimed against net income tax liability for the taxable year.  
9 For the purpose of deducting this tax credit, net income tax  
10 liability means net income tax liability reduced by all other  
11 credits allowed the taxpayer under this chapter.

12 A tax credit under this section that exceeds the taxpayer's  
13 income tax liability may be used as a credit against the  
14 taxpayer's income tax liability in subsequent years until  
15 exhausted. All claims for a tax credit under this section shall  
16 be filed on or before the end of the twelfth month following the  
17 close of the taxable year for which the credit may be claimed.  
18 Failure to properly and timely claim the credit shall constitute  
19 a waiver of the right to claim the credit. A taxpayer may claim  
20 a credit under this section only if the building or project is a



1 qualified low-income housing building or a qualified low-income  
2 housing project under section 42 of the Internal Revenue Code.

3       Section 42(k) (with respect to application of at-risk  
4 rules), section 465 (with respect to deductions limited to  
5 amount at risk), and section 469 (with respect to passive  
6 activity losses and credits limited) of the Internal Revenue  
7 Code shall not be applied [~~in~~] with respect to investments in  
8 buildings and projects claiming the credit under this section."

9       SECTION 2. There is appropriated out of the general  
10 revenues of the State of Hawaii the sum of \$                    or so much  
11 thereof as may be necessary for fiscal year 2017-2018 and the  
12 same sum or so much thereof as may be necessary for fiscal year  
13 2018-2019 to establish one full-time equivalent (1.00 FTE)  
14 position in the Hawaii housing finance and development  
15 corporation to oversee the low-income housing tax credit  
16 program.

17       The sums appropriated shall be expended by the Hawaii  
18 housing finance and development corporation for the purposes of  
19 this Act.

20       SECTION 3. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon a date to be  
2 determined, and shall apply to qualified low-income buildings  
3 awarded credits beginning after December 31, 2017; provided  
4 that:

5 (1) The amendments made in section 1 of this Act shall not  
6 be repealed when section 235-110.8, Hawaii Revised  
7 Statutes, is reenacted on December 31, 2021, pursuant  
8 to Act 129, Session Laws of Hawaii 2016; and

9 (2) Section 2 of this Act shall take effect on July 1,  
10 2017.



**Report Title:**

Low-income Housing Tax Credit; Hawaii Housing Finance and Development Corporation

**Description:**

Specifies that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity loss do not apply with respect to claims for the state low-income housing tax credit. Appropriates funds to establish one position in the Hawaii Housing Finance and Development Corporation to oversee the Low-Income Housing Tax Credit Program. (HB1335 HD1)

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