
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Disposition of real property to owner-occupant
5 tax credit. (a) There shall be allowed to each taxpayer
6 subject to the tax imposed under this chapter, a disposition of
7 real property to owner-occupant preservation tax credit that
8 shall be deductible from the taxpayer's net income tax
9 liability, if any, imposed by this chapter for the taxable year
10 in which the credit is properly claimed.

11 (b) In the case of a partnership, S corporation, estate,
12 or trust, the tax credit shall be determined at the entity
13 level. Distribution and share of credit shall be determined by
14 rule.

15 (c) The disposition of real property to owner-occupant tax
16 credit shall be equal to per cent of the amount
17 realized on the disposition of real property from a taxpayer,



1 acting as a transferor, to a qualified transferee, up to a
2 maximum of \$ _____.

3 (d) The total amount of tax credits allowed under this
4 section shall not exceed \$ _____ for all taxpayers in any
5 taxable year; provided that any taxpayer who is not eligible to
6 claim the credit in a taxable year due to the \$ _____ cap
7 having been exceeded for that taxable year shall be eligible to
8 claim the credit in the subsequent taxable year.

9 (e) The director of taxation:

10 (1) Shall prepare any forms that may be necessary to claim
11 a tax credit under this section;

12 (2) May require the taxpayer to furnish reasonable
13 information to ascertain the validity of the claim for
14 the tax credit made under this section; and

15 (3) May adopt rules under chapter 91 necessary to
16 effectuate the purposes of this section.

17 (f) If the tax credit under this section exceeds the
18 taxpayer's net income tax liability, the excess of credit over
19 liability may be used as a tax credit against the taxpayer's net
20 income tax liability in subsequent years until exhausted.



1 All claims for the tax credit under this section, including
2 amended claims, shall be filed on or before the end of the
3 twelfth month following the close of the taxable year for which
4 the credit may be claimed. Failure to comply with the foregoing
5 provision shall constitute a waiver of the right to claim the
6 credit.

7 (g) Failure of the qualified transferee to use the real
8 property that is being used to claim the credit under this
9 section as an owner-occupant shall result the taxpayer's
10 ineligibility and a recapture of the credit. The amount of the
11 recaptured tax credit shall be added to the taxpayer's tax
12 liability for the taxable year in which the recapture occurs.

13 (h) This section shall not apply to taxable years
14 beginning after December 31, 2028.

15 (i) As used in this section:

16 "Owner-occupant" means any individual in whose name sole or
17 joint legal title is held in real property that, simultaneous to
18 such ownership, serves as the individual's principal residence,
19 as defined by the department, for a period of not less than
20 three hundred sixty-five consecutive days; provided that the
21 individual shall retain complete possessory control of the



1 premises of the real property during this period. An individual
2 shall not be deemed to have complete possessory control of the
3 premises if the individual rents, leases, or assigns the
4 premises for any period of time to any other person in whose
5 name legal title is not held; except that an individual shall be
6 deemed to have complete possessory control even when the
7 individual conveys or transfers the real property into a trust
8 for estate planning purposes and continues in the use of the
9 premises as the individual's principal residence during this
10 period.

11 "Property" or "real property" has the meaning as the same
12 term is defined in section 231-1.

13 "Qualified transferee" means any person acquiring real
14 property that is located in Hawaii for the purpose of using the
15 property as an owner-occupant.

16 "Transferor" means any person disposing of real property
17 that is located in Hawaii."

18 SECTION 2. New statutory material is underscored.

19 SECTION 3. This Act, upon its approval, shall apply to
20 taxable years beginning after December 31, 2023; provided that
21 this Act shall be repealed on December 31, 2028.



1



Report Title:

Income Tax Credit; Disposition of Real Property; Owner-Occupants

Description:

Creates a temporary income tax credit for taxpayers who sell real property to owner-occupants. Applies to taxable years beginning after 12/31/2023. Sunsets 12/31/2028. (SD1 Proposed)

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

