
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- Historic preservation tax credit. (a) Each
5 taxpayer who files a net income tax return for a taxable year
6 may claim a tax credit under this section. The tax credit shall
7 be deductible from the taxpayer's net income tax return
8 liability, if any, imposed by this chapter for the taxable year
9 in which the credit is properly claimed. The amount of the tax
10 credit shall be twenty-five per cent of the excess of qualified
11 expenditures over \$10,000 and incurred for the rehabilitation of
12 a historic property.

13 (b) Tax credits that exceed the taxpayer's income tax
14 liability may be used as a credit against the taxpayer's income
15 tax liability for up to five subsequent years.

16 (c) As used in this section:



- 1 "Historic property" means property located within the State
2 that is:
- 3 (1) Individually listed in the National Register of
4 Historic Places;
- 5 (2) Located in a historic district listed in the National
6 Register of Historic Places and certified by the
7 United States Secretary of the Interior as
8 contributing to the historic significance of that
9 district;
- 10 (3) Individually designated as a historic property by the
11 Hawaii historic places review board; or
- 12 (4) Located in a historic district set apart or registered
13 by a county, acknowledged by the Hawaii historic
14 places review board as contributing to the historic
15 significance of the area, and determined by the Hawaii
16 historic places review board as meeting the criteria
17 for inclusion in the National Register.

18 "Qualified expenditures" mean any properly chargeable
19 amount incurred for the rehabilitation and restoration of the
20 physical elements of a building, including the historic
21 decorative elements, and the upgrading of the structural,
22 mechanical, electrical, and plumbing systems to applicable



1 building codes. Qualified expenditures do not include the
2 taxpayer's personal labor; the cost of purchasing the historic
3 property; any improvements made to the landscaping or other site
4 features, outbuildings, or garages.

5 (d) The director of taxation shall prepare forms to claim
6 a credit under this section. The director of taxation may
7 require the taxpayer to furnish additional information to
8 ascertain the validity of the claim for credit under this
9 section, which may include photographs of the property and
10 written declarations from persons knowledgeable about the
11 property. The director of taxation, with the assistance of the
12 department of land and natural resources, division of historic
13 preservation, may adopt rules necessary to effectuate the
14 purposes of this section pursuant to chapter 91.

15 (e) If at the close of any taxable year in the five-year
16 period beginning on the date the historic property is placed in
17 service the taxpayer:

18 (1) Disposes of the historic property before the end of
19 five full years after the property was placed in
20 service;



1 (2) Returns leased property, on which a historic property
2 tax credit was claimed, to the lessor before the end
3 of the recapture period; or

4 (3) Demolishes the rehabilitated historic property within
5 ten years after claiming the historic preservation tax
6 credit;

7 one hundred per cent of the credit claimed under this section
8 shall be recaptured.

9 (f) Recapture of the historic tax credit shall not apply
10 to any of the following:

11 (1) A transfer due to the death of the taxpayer;

12 (2) A transfer between spouses or incident to divorce;
13 provided that a later disposition by the transferee is
14 subject to recapture to the same extent as if the
15 transferor had disposed of the historic property at
16 the later date; or

17 (3) A transaction to which section 381(a) of the Internal
18 Revenue Code applies relating to certain acquisitions
19 of the assets of one corporation by another
20 corporation.

21 (g) The basis of the historic property for depreciation or
22 accelerated cost recovery system purposes for state income taxes



1 shall be reduced by the amount of the credit allowable and
2 claimed."

3 SECTION 2. New statutory material is underscored.

4 SECTION 3. This Act, upon its approval, shall apply to
5 taxable years beginning after December 31, 2007.



Report Title:

Historic Preservation Tax Credit

Description:

Creates a tax credit for rehabilitation of historic properties; requires one hundred per cent recapture under certain conditions. (SD1)

