A BILL FOR AN ACT

RELATING TO HISTORIC PRESERVATION TAX CREDIT.

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)   There

5   shall be allowed to each resident individual and corporate

6   taxpayer who is not claimed or is not otherwise eligible to be

7   claimed as a dependent by another taxpayer for federal or Hawaii

8   state individual income tax purposes, who files an individual or

9   corporate net income tax return for a taxable year, an historic

10 preservation tax credit, which shall be deductible from the

11 taxpayer's net income tax liability imposed by this chapter for

12 the taxable year in which the tax credit is properly claimed;

13 provided that:

14   (1) A resident individual who has no income or no income

15   taxable under this chapter and who is not claimed or

16   is not otherwise eligible to be claimed as a dependent

17   by a taxpayer for federal or Hawaii state individual

18   income tax purposes may claim this tax credit; and

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1   (2) A husband and wife filing separate returns for a

2   taxable year for which a joint return could have been

3   filed by them shall claim only the tax credit to which

4   they would have been entitled had a joint return been

5   filed.

6   (b) The tax credit shall apply to the qualifying costs

7 expended to rehabilitate or preserve historic structures in the

8 State. The amount of the tax credit shall be   per cent of

9 the taxpayer's qualifying costs; provided that no single claim

10 for a tax credit shall exceed $; and provided further

11 that the annual total of all tax credits claimed under this

12 section shall not exceed $.

13   (c) To qualify for the income tax credit, the taxpayer

14 shall:

15   (1) Qualify under criteria or rules adopted by the Hawaii

16   historic places review board pursuant to chapter 91,

17   that shall include, but not be limited to:

18   (A) Criteria for qualifying structures;

19   (B) A definition of "qualifying costs";

20   (C) Standards to ensure that the rehabilitation

21   preserves the historic and architectural

22   character of the structure; and

1   (D) A minimum amount, or threshold, required to be

2   invested in the rehabilitation or preservation.

3   (2) Be in compliance with all applicable federal, state,

4   and county statutes, rules, and regulations.

5   (d) If the tax credit under this section exceeds the

6 taxpayer's net income tax liability under this chapter, any

7 excess of the tax credit may be used as a credit against the

8 taxpayer's income tax liability in subsequent taxable years

9 until exhausted.

10   (e) If the taxpayer is a partnership, S corporation,

11 estate, or trust, the tax credit is for qualifying costs

12 incurred by the entity for the taxable year. The costs upon

13 which the tax credit is computed shall be determined at the

14 entity level. Distribution and share of the tax credit shall be

15 determined pursuant to section 235-110.7.

16   (f) If a deduction is taken under section 179 (with

17 respect to election to expense depreciable business assets) of

18 the Internal Revenue Code of 1986, as amended, no tax credit

19 shall be allowed for qualifying costs for which the deduction is

20 taken.

21 The basis for eligible property for depreciation of

22 accelerated cost recovery system purposes for state income taxes

1   shall not be reduced by the amount of tax credit allowable and

2   claimed.

3   (g) If at any time, for whatever reason, the taxpayer no

4   longer qualifies for the tax credit claimed under this section,

5   the tax credits shall be recaptured. The recapture shall be

6   equal to   per cent of the total tax credits claimed under

7   this section. The amount of the recaptured tax credits shall be

8   added to the taxpayer's tax liability for the taxable year in

9   which the recapture occurs.

10   (h) Every claim, including amended claims, for the tax

11   credit under this section shall be filed on or before the end of

12   the twelfth month following the close of the taxable year for

13   which the tax credit may be claimed. Failure to meet the filing

14   requirements of this subsection shall constitute a waiver of the

15   right to claim the tax credit.

16   (i) The director of taxation:

17   (1) Shall prepare such forms as may be necessary to claim

18   a tax credit under this section;

19   (2) May require proof of the claim for the tax credit; and

20   (3) May adopt rules pursuant to chapter 91 to effectuate

21   the tax related purposes of this section.

1   (j) The department of taxation shall report to the

2   legislature annually, no later than twenty days prior to the

3   convening of every regular session, on the number of taxpayers

4   claiming the tax credit and the total cost of the tax credit to

5   the State during the past year."
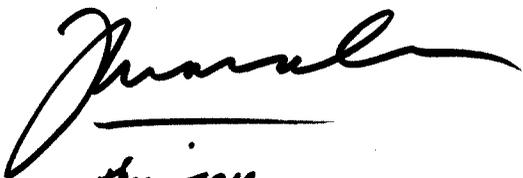
6   SECTION 2. New statutory material is underscored.

7   SECTION 3. This Act, upon its approval, shall apply to

8   taxable years beginning after December 31, 2007.

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INTRODUCED BY: _____

Rick T. R. Cabanilla

Karen Awana

JAN 2 2 2007

Mele Carroll

Cynthia Thielen

John M. Mizuno

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Report Title:
Tax Credit; Historic Preservation

Description:
Provides a tax credit for the rehabilitation or preservation of historic structures in the State.