
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- Residential construction and remodeling tax
5 credit. (a) There shall be allowed to each individual taxpayer
6 who owns residential real property and who is subject to the
7 taxes imposed by this chapter, a residential construction and
8 remodeling tax credit that shall be deductible from the
9 taxpayer's net income tax liability, if any, imposed by this
10 chapter for the taxable year in which the credit is properly
11 claimed.

12 The amount of the tax credit claimed under this section by
13 the taxpayer in all years for which the credit is available
14 shall be limited to four per cent of the residential
15 construction or remodeling costs paid by the taxpayer during the
16 taxable year for which the credit is claimed; provided that the
17 costs shall not exceed \$ in the aggregate for each



1 residential unit and that the costs are incurred before July 1,
2 _____.

3 A husband and wife filing separately, or multiple owners of
4 a property filing separately may apportion the tax credit
5 between themselves; provided that the total amount of the claim
6 shall not exceed the amount that would have been claimed if
7 filed jointly; and provided further that the tax credit may be
8 claimed only once for a single residential property.

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

14 (b) If the tax credit under this section exceeds the
15 taxpayer's income tax liability, the excess of credit over
16 liability may be used as a credit against the taxpayer's income
17 tax liability in subsequent years until exhausted.

18 All claims, including amended claims, for a tax credit
19 under this section shall be filed on or before the end of the
20 twelfth month following the close of the taxable year for which
21 the credit may be claimed. Failure to comply with the foregoing



1 provision shall constitute a waiver of the right to claim the
2 credit.

3 (c) The director of taxation:

4 (1) Shall prepare any forms that may be necessary to claim
5 a tax credit;

6 (2) May require the taxpayer to furnish information to
7 ascertain the validity of the claim for the tax
8 credit; and

9 (3) May adopt rules pursuant to chapter 91 necessary to
10 effectuate the purposes of this section.

11 (d) To qualify for the income tax credit, the taxpayer
12 shall be in compliance with all applicable federal, state, and
13 county statutes, rules, and regulations.

14 (e) As used in this section:

15 "Construction or remodeling cost" means any costs incurred
16 after December 31, 2010, for the plans, design, construction, or
17 equipment that is permanently affixed to a building or structure
18 related to new construction, alterations, or modifications of a
19 residential apartment unit or house, and performed by a licensed
20 contractor, and shall not include any costs for which another
21 credit is claimed under this chapter.



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

3 SECTION 2. The department of taxation shall submit a
4 report to the legislature that compares the impact on jobs and
5 on the state budget produced by the four separate tax credits
6 for:

- 7 (1) New construction to residential apartment units and
8 houses;
9 (2) Renovations to residential apartment units and houses;
10 (3) New construction to hotels and resorts; and
11 (4) Renovations to hotels and resorts.

12 The department of taxation shall submit the report no later than
13 twenty days prior to the convening of the regular session of
14 2012.

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2112, and
17 shall apply to taxable years beginning after December 31, 2010,
18 and ending prior to January 1, 2014.



Report Title:

Tax Credit; Residential Construction and Remodeling

Description:

Provides a temporary tax credit for residential construction and remodeling projects. Requires a report to the legislature comparing the impact on jobs and the state budget for various tax credit applications. Effective July 1, 2112. (HB1307 HD1)

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