
A BILL FOR AN ACT

RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES.

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

1 SECTION 1. The legislature finds that tourism is Hawaii's
2 principal industry, with visitor expenditures contributing
3 \$11,100,000,000 to Hawaii's economy in 2010, and that amount is
4 estimated to be \$12,600,000,000 for 2011. Tourists' stays at
5 hotels and resorts, shopping, attendance at attractions and
6 sports, and recreational activities contribute significantly to
7 Hawaii's tax base.

8 The legislature finds that Hawaii's travel and tourism
9 industry must continue to refresh its product offering to
10 support and attract new and repeat travelers, compete with other
11 global destinations, and continue to distinguish Hawaii as a
12 unique travel and tourist destination. Hawaii cannot continue
13 to rely on aging hotel and resort infrastructure and hope for
14 the best. Hawaii is at risk of losing its competitive edge in
15 the travel and tourism industry to emerging tourist destinations
16 that are competing for Hawaii's travel and tourism business.
17 Traditional financing has failed to generate new construction
18 and renovation work, and jobs are lacking.



1 SECTION 2. 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- Hotel construction and remodeling tax credit.

5 (a) There shall be allowed to each taxpayer subject to the
6 taxes imposed by this chapter and chapter 237D, an income tax
7 credit, which shall be deductible from the taxpayer's net income
8 tax liability, if any, imposed by this chapter for the taxable
9 year in which the credit is properly claimed.

10 The amount of the credit shall be:

11 (1) per cent of the construction; or

12 (2) per cent of the renovation

13 costs incurred during the taxable year for each qualified hotel
14 facility located in Hawaii, and shall not include the
15 construction or renovation costs for which another credit was
16 claimed under this chapter for the taxable year.

17 In the case of a partnership, S corporation, estate, trust,
18 association of apartment owners of a qualified hotel facility,
19 time share owners association, or any developer of a time share
20 project, the tax credit allowable is for construction or
21 renovation costs incurred by the entity for the taxable year.

22 The cost upon which the tax credit is computed shall be



1 determined at the entity level. Distribution and share of
2 credit shall be determined pursuant to section 235-110.7(a).

3 If a deduction is taken under section 179 (with respect to
4 election to expense depreciable business assets) of the Internal
5 Revenue Code, no tax credit shall be allowed for that portion of
6 the construction or renovation cost for which the deduction is
7 taken.

8 The basis of eligible property for depreciation or
9 accelerated cost recovery system purposes for state income taxes
10 shall be reduced by the amount of credit allowable and claimed.
11 In the alternative, the taxpayer shall treat the amount of the
12 credit allowable and claimed as a taxable income item for the
13 taxable year in which it is properly recognized under the method
14 of accounting used to compute taxable income.

15 (b) The credit allowed under this section shall be claimed
16 against the net income tax liability for the taxable year.

17 (c) If the tax credit under this section exceeds the
18 taxpayer's income tax liability, the excess of credit over
19 liability shall be refunded to the taxpayer; provided that no
20 refunds or payment on account of the tax credits allowed by this
21 section shall be made for amounts less than \$1. All claims for
22 a tax credit under this section shall be filed on or before the



1 end of the twelfth month following the close of the taxable year
2 for which the credit may be claimed. Failure to comply with the
3 foregoing provision shall constitute a waiver of the right to
4 claim the credit.

5 (d) The director of taxation shall prepare any forms that
6 may be necessary to claim a credit under this section. The
7 director may also require the taxpayer to furnish information to
8 ascertain the validity of the claim for credit made under this
9 section and may adopt rules necessary to effectuate the purposes
10 of this section pursuant to chapter 91.

11 (e) The tax credit allowed under this section shall be
12 available for taxable years beginning after December 31, 2012,
13 and shall not be available for taxable years beginning after
14 December 31, 2018.

15 (f) To qualify for the income tax credit, the taxpayer
16 shall be in compliance with all applicable federal, state, and
17 county statutes, rules, and regulations.

18 (g) As used in this section:

19 "Construction or renovation cost" means any costs incurred
20 after December 31, 2012, for plans, design, construction, and
21 equipment related to new construction, alterations, or
22 modifications to a qualified hotel facility.



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

3 "Qualified hotel facility" means a hotel or hotel-
4 condominium as defined in section 486K-1, and includes a time
5 share facility or project.

6 "Taxpayer" means a taxpayer under this chapter, and
7 includes:

8 (1) Association of apartment owners; or

9 (2) Time share owners association.

10 (h) No taxpayer that claims a credit under this section
11 shall claim a credit under chapter 235D."

12 SECTION 3. Section 237D-2, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§237D-2 Imposition and rates.** (a) There is levied and
15 shall be assessed and collected each month a tax of:

16 (1) Five per cent for the period beginning on January 1,
17 1987, to June 30, 1994;

18 (2) Six per cent for the period beginning July 1, 1994, to
19 December 31, 1998; and

20 (3) 7.25 per cent for the period beginning on January 1,
21 1999, and thereafter;



1 on the gross rental or gross rental proceeds derived from
2 furnishing transient accommodations.

3 (b) There is levied and shall be assessed and collected
4 each month an additional[+]

5 ~~(1) One per cent for the period beginning July 1, 2009, to~~
6 ~~June 30, 2010; and~~

7 ~~(2) Two] two per cent [for the period beginning July 1,~~
8 ~~2010, to June 30, 2015;]~~

9 on the gross rental or gross rental proceeds derived from
10 furnishing transient accommodations. The rate levied and
11 assessed under this subsection shall be additional to the rate
12 levied and assessed under subsection (a) (3).

13 (c) There is levied and shall be assessed and collected
14 each month a daily tax of \$10 for every transient accommodation
15 that is furnished on a complimentary or gratuitous basis, or
16 otherwise at no charge, including transient accommodations
17 furnished as part of a package.

18 (d) Every operator shall pay to the State the tax imposed
19 by subsections (a), (b), and (c), as applicable, as provided in
20 this chapter.

21 (e) There is levied and shall be assessed and collected
22 each month, on the occupant of a resort time share vacation



1 unit, a transient accommodations tax of 7.25 per cent on the
2 fair market rental value.

3 (f) Every plan manager shall be liable for and pay to the
4 State the transient accommodations tax imposed by subsection (e)
5 as provided in this chapter. Every resort time share vacation
6 plan shall be represented by a plan manager who shall be subject
7 to this chapter."

8 SECTION 4. Act 61, Session Laws of Hawaii 2009, is amended
9 by amending section 4 to read as follows:

10 "SECTION 4. This Act shall take effect on July 1, 2009,
11 and shall be repealed on June 30, 2015; provided that sections
12 237D-2 and 237D-6.5, Hawaii Revised Statutes, shall be reenacted
13 in the form in which they read on June 30, 2009[-]; provided
14 further that the amendments made to section 237D-2, Hawaii
15 Revised Statutes, under Act , Session Laws of Hawaii 2012,
16 shall not be repealed."

17 SECTION 5. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 6. This Act shall take effect upon its approval.



Report Title:

Income Tax Credit; Hotel and Resort Construction and Renovation;
Transient Accommodations Tax

Description:

Provides an income tax credit for hotel construction and renovation for taxable years beginning on January 1, 2013, and ending on December 31, 2018. Repeals the sunset of the additional two per cent transient accommodations tax collected by the State. (SB3048 HD1)

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

