
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 The legislature finds that additional stimulus in the form
2 of tax relief is necessary to provide an impetus to finance new
3 construction and renovation of hotels and resorts, and allow new
4 or newly renovated hotels and resorts to stabilize during
5 operations, thereby generating jobs.

6 The purpose of this Act is to provide a stimulus, through
7 tax relief, for:

- 8 (1) Employer hiring for certain individuals at new or
9 renovated hotel and resort facilities for seven years
10 after substantial completion of construction and
11 renovation; and
12 (2) Large hotel and resort construction and renovation
13 projects for seven years after substantial completion
14 of construction and renovation.

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

18 "§235- Employer tax credit for hiring certain
19 individuals at new or renovated hotel or resort facilities. (a)
20 Each qualified employer shall be allowed a tax credit for wages
21 paid to each qualified employee. The amount of the tax credit



1 shall be 4.5 per cent of the wages paid by the qualified
2 employer to the qualified employee during the taxable year.

3 (b) All claims for a tax credit under this section shall
4 be filed with the department of taxation on or before the end of
5 the twelfth month following the close of the taxable year for
6 which the credit may be claimed. Failure to claim the credit in
7 compliance with this section shall constitute a waiver of the
8 right to claim the credit.

9 (c) If the tax credit under this section exceeds the
10 taxpayer's income tax liability, the excess of the credit over
11 liability shall be refunded to the taxpayer; provided that no
12 refunds or payment on account of the tax credits allowed by this
13 section shall be made for amounts less than \$1.

14 (d) The tax credit allowed under this section shall be
15 available for the seven taxable years following the end of the
16 taxable year in which the certified facility, as defined under
17 section 237- (f), was substantially completed.

18 (e) As used in this section:

19 "Certified facility" means hotel facility or resort
20 facility that was pre-certified by the department under section
21 237- (c).



1 "Department" means the department of business, economic
2 development, and tourism.

3 "Qualified employee" means an individual, with respect to
4 the taxable year for which the tax credit under this section is
5 claimed, who:

6 (1) Was employed at any time during the taxable year by a
7 qualified employer at a certified facility;

8 (2) Certified by signed affidavit or declaration that the
9 individual was not employed for more than forty hours
10 by the qualified employer at the certified facility
11 during the ninety-day period ending on the date the
12 individual began employment at the certified facility;
13 and

14 (3) Was not employed by the qualified employer to replace
15 another employee of the employer at the certified
16 facility unless the other employee separated from
17 employment voluntarily or for cause.

18 "Qualified employer" means an employer, with respect to the
19 taxable year for which the tax credit under this section is
20 claimed, that owned or operated a certified facility.

21 "Wages" means the hourly wage or salary of the qualified
22 employee."



1 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§237- Hotel and resort construction and renovation tax
5 exemption. (a) Each taxpayer shall be exempt from the taxes
6 imposed by this chapter on the gross income earned from the
7 construction or renovation of a hotel facility or resort
8 facility.

9 (b) The taxpayer shall claim and report the exemption on
10 the annual or periodic tax returns required under this chapter
11 for the taxable year or period in which the taxpayer earned the
12 gross income claimed exempt from tax under this section.

13 (c) The exemption under subsection (a) shall be
14 conditioned on the department pre-certifying the construction or
15 renovation of a hotel facility or resort facility as satisfying
16 the conditions of this section based upon an application or
17 amended application that:

18 (1) Is submitted by the owner, developer, or general
19 contractor of the hotel facility or resort facility at
20 any time before or during construction or renovation
21 of the hotel facility or resort facility;



1 (2) Describes, in sufficient detail, the construction or
2 renovation of the hotel facility or resort facility;

3 (3) Estimates the costs of construction or renovation and
4 tax exemptions and credits to be claimed under this
5 section and section 235- ; and

6 (4) Includes all other information prescribed by the
7 department.

8 (d) The department shall maintain records of the names of
9 taxpayers claiming the exemption under this section, the amount
10 of the exemption claimed, and the construction or renovation of
11 a hotel facility or resort facility. The department shall
12 prepare an annual report of the records that shall be made
13 public.

14 (e) The department shall adopt procedures, rules, and
15 forms for the pre-certification of the construction or
16 renovation of a hotel facility or resort facility under
17 subsection (c) similar to those adopted pursuant to sections
18 201H-36 and 237-29, to the extent applicable. The department
19 may establish, charge, and collect a reasonable service fee, as
20 necessary, in connection with the pre-certification under
21 subsection (c).

22 (f) As used in this section:



1 "Construction or renovation of a hotel facility or resort
2 facility" means the planning, design, construction, furniture
3 and fixtures above routine maintenance, materials, and equipment
4 related to new construction, alterations, remediation, or
5 modifications of a hotel facility or resort facility in the
6 State that is substantially completed by June 30, 2017; provided
7 that:

- 8 (1) The construction or renovation costs exceed
9 \$50,000,000 by June 30, 2017; and
- 10 (2) The general contractor and any subcontractors of the
11 construction or renovation are signatory parties to
12 collective bargaining agreements with the appropriate
13 construction trade unions covering construction work
14 in the State.

15 Construction or renovation costs shall not include costs
16 incurred as the result of planned or routine maintenance or
17 refurbishments that would ordinarily take place throughout the
18 normal course of business.

19 "Department" means the department of business, economic
20 development, and tourism.



1 "Hotel facility" means a hotel or hotel-condominium as
2 defined in section 486K-1 and includes a time share facility or
3 project.

4 "Resort facility" means a full-service lodging facility
5 that provides access to or offers a range of amenities and
6 recreation facilities to emphasize a leisure experience and
7 includes commercial, retail, and attraction facilities located
8 within the areas surrounding or related to the lodging facility
9 within the same county of the State.

10 "Substantially completed" means the state of condition at
11 which the hotel facility or resort facility or a portion thereof
12 is sufficiently complete, in accordance with the contract
13 documents, so that the hotel facility or the resort facility or
14 a portion thereof can be occupied or used for its intended
15 purpose, without regard to the completion of furnishings,
16 fixtures, and interior finishes."

17 SECTION 4. Section 238-3, Hawaii Revised Statutes, is
18 amended by amending subsection (j) to read as follows:

19 "(j) The tax imposed by this chapter shall not apply to
20 any use of property, services, or contracting exempted by
21 section 237-26 [~~or section~~], 237-29 [~~-~~], or 237- ."

1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect on July 1, 2050;
4 provided that:

5 (1) Section 2 shall apply to taxable years beginning after
6 December 31, 2011; and

7 (2) Sections 3 and 4 shall apply to taxable periods
8 beginning after June 30, 2012.



Report Title:

Employer Tax Credit for Hiring of Individuals; Tax Exemption for Hotel and Resort Construction and Renovation

Description:

Provides an employer tax credit of 4.5 per cent of the wages paid by a qualified employer to certain employees for seven years after completion of hotel and resort construction and renovation; provides a general excise tax exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after substantial completion of construction and renovation; requires construction and renovation of a hotel facility or resort facility to be completed by 6/30/2017 to be eligible for the exemption; employer tax credit applies to taxable years beginning after 12/31/2011; hotel and resort construction and renovation general excise tax exemption applies to taxable periods beginning after 7/1/2050. (SD2)

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