RELATING TO HISTORIC PRESERVATION.

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

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Historic preservation tax credit. (a) There shall be allowed to each qualified taxpayer subject to the tax imposed by this chapter a historic preservation tax credit for qualified expenses incurred in the certified rehabilitation of a certified historic structure resulting in the creation or rehabilitation of affordable housing units. The tax credit shall be deductible from the qualified taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The historic preservation tax credit shall be:

(1) Twenty-five per cent of the qualified expenses; or

(2) Thirty per cent of the qualified expenses; provided
(A) At least twenty per cent of the units are for affordable rental housing; or

(B) At least ten per cent of the units are sold for affordable homeownership under affordable housing guidelines.

(c) In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified expenses incurred by the entity for the taxable year. The expenses upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined by rule.

(d) If the tax credit under this section exceeds the taxpayer's net income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.
(e) The total amount of tax credits allowed under this section shall not exceed:

(1) $______ for taxable years beginning after December 31, 2019;

(2) $______ for taxable years beginning after December 31, 2020;

(3) $______ for taxable years beginning after December 31, 2021;

(4) $______ for taxable years beginning after December 31, 2022; and

(5) $______ for taxable years beginning after December 31, 2023;

provided that any taxpayer who is not eligible to claim the credit in a taxable year due to the cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

(f) Every qualified taxpayer, before March 31 of each year in which qualified expenses were incurred in the previous taxable year, shall submit a written, certified statement to the state historic preservation division identifying:
(1) Qualified expenses, if any, expended in the previous taxable year; and

(2) The amount of tax credits claimed pursuant to this section, if any, in the previous taxable year.

(g) The state historic preservation division of the department of land and natural resources shall:

(1) Certify all qualified expenses, approved by qualified staff, for the purposes of this section;

(2) Collect and maintain a record of all qualified expenses certified by an appropriate government agency for the taxable year; and

(3) Certify to each qualified taxpayer the amount of credit the qualified taxpayer may claim; provided that if, in any year, the annual amount of certified credits reaches the aggregate cap pursuant to subsection (e), the state historic preservation division shall immediately discontinue certifying credits and notify the department of taxation.

The chairperson of the board of land and natural resources may adopt rules, including fees, under chapter 91 as necessary to implement the certification requirements under this section;
provided that fees established pursuant to this section shall be
deposited into the Hawaii historic preservation special fund,
pursuant to section 6E-16.

(h) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim
a tax credit under this section;

(2) May require the taxpayer to furnish reasonable
information to ascertain the validity of the claim for
the tax credit made under this section; and

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

(i) The state historic preservation division shall submit
an annual report of its findings and recommendations, including
any proposed legislation, to the legislature no later than
twenty days prior to the convening of each regular session on
the effectiveness of the historic preservation tax credit.

(j) For the purposes of this section:

"Affordable rental housing" means rental housing that meets
the guidelines published by the United States Department of
Housing and Urban Development for the year in which the units
are put into service.
"Affordable homeownership" means housing that meets the guidelines published by the United States Department of Housing and Urban Development for the year in which the units are initially offered for sale.

"Certified historic structure" means any structure that is:

1. Listed in the Hawaii register of historic places or national register of historic places;
2. Located in a historic district listed in the Hawaii register of historic places or national register of historic places and certified by the state historic preservation division as contributing to the significance of the historic district; or
3. Eligible for inclusion in the Hawaii register of historic places, and which is listed in that register by the date of certification by the administrator of the state historic preservation division in accordance with subsection (g).

"Qualified expenditures" means any costs incurred for the physical construction involved in the certified rehabilitation of a certified historic structure. "Qualified expenditures" shall not include the owner's personal labor.
"Qualified staff" means a staff person meeting the Secretary of the Interior's Professional Qualification Standards for an architectural historian or historic architect."

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2019-2020 and the same sum or so much thereof as may be necessary for fiscal year 2020-2021 for one part-time (0.5 PTE) position to assist in the administration of this Act.

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2019.

INTRODUCED BY: [Signature]
Report Title:
State Historic Preservation; DLNR; DOTAX; Appropriation

Description:
Establishes a historic preservation tax credit for qualified construction expenses incurred in rehabilitation of historic structures that produces affordable housing units.

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