A BILL FOR AN ACT

RELATING TO AFFORDABLE HOUSING.

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

1 SECTION 1. The legislature finds that the affordable housing crisis in Hawaii extends to the lack of affordable rentals, particularly in high visitor traffic areas. This lack of affordable rentals hurts the quality of service, diminishes Hawaii's appeal in the visitor industry, and stresses the State's infrastructure, due to increased traffic.

The legislature also finds the lack of affordable rental homes in these areas is due to the high costs of property ownership, which encourages many landlords to enter into interval or short-term rentals rather than workforce-eligible rentals.

The legislature further finds that, in order to create more immediate affordable housing rentals for workforce-eligible people within the areas of most need, an economic incentive would stimulate private landowner participation.

The legislature believes that such a tax credit program would provide immediate, needed rental housing for local working
families that would not only bolster the visitor industry, but also ease congestion and create more disposable income, while eliminating the need for support services for families who must dedicate more of their income to their rent.

The purpose of this Act is to establish an income tax credit for taxpayers who lease housing to certain low-income tenants.

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

"§235- Affordable rental housing; income tax credit."

(a) There shall be allowed to each taxpayer, subject to the tax imposed under this chapter, a credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The amount of the tax credit shall be equal to ten per cent of rent collected per housing unit, per month, that the taxpayer rents to an eligible tenant. The maximum amount of the tax credit claimed by a taxpayer under this section shall be $2,000 per taxable year.
(b) In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for every housing unit rented to an eligible tenant by the entity. The cost upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined by rule.

(c) 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 credit made under this section; and

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

(d) If the tax credit under this section exceeds the taxpayer's 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) For the purposes of this section, "eligible tenant" means a family or an individual whose income from all sources is less than eighty per cent of the area median income as determined by the United States Department of Housing and Urban Development's most recently released schedule of income limits."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2018.

INTRODUCED BY:

Mark J. Hiel

JAN 22 2019
Report Title:
Affordable Housing; Income Tax Credit; Low-income Tenants

Description:
Establishes an income tax credit for taxpayers who lease housing to certain low-income tenants.

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