

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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**GARY S. SUGANUMA**  
DIRECTOR

**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1462, S.D. 1, Relating to a State Historic Preservation Income Tax Credit

**BEFORE THE:**

House Committee on Water & Land

**DATE:** Thursday, March 13, 2025

**TIME:** 9:00 a.m.

**LOCATION:** State Capitol, Room 411

Chair Hashem, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1462, S.D. 1, an Administration measure, for your consideration.

S.B. 1462, S.D. 1, amends chapter 235, Hawaii Revised Statutes (HRS), by adding a new section to create a historic preservation income tax credit for the substantial rehabilitation of certified historic structures.

The income tax credit would equal 30% of qualified costs incurred for the physical rehabilitation, renovation, or construction of a certified structure pursuant to an approved rehabilitation plan, not including the taxpayer's personal labor. Credits are also unavailable for costs already claimed as business deductions. The credit is not capped at the taxpayer level, but there is an annual aggregate cap of \$1,000,000 per year from tax year 2025 through tax year 2030. Excess credits can be carried forward until exhausted, or for a period of ten years, whichever is sooner. The Department of Land and Natural Resources will adopt rules establishing standards for the approval of rehabilitation of certified historic structures and certify the credit before taxpayers file with DOTAX.

The measure also includes provisions for recapture of the credit if taxpayers do not submit information required for the credit or do not proceed with the rehabilitation of

the certified historic structure in a timely manner and in accordance with the approved rehabilitation plan.

The bill has a defective effective date of July 1, 2050, and the income tax credit applies to taxable years beginning after December 31, 2024, with a sunset date of December 31, 2030.

DOTAX notes that the tax credit established in this bill is similar to the historic preservation income tax credit, formerly in section 235-110.97, HRS, which sunsetted on December 31, 2024. If the bill is advanced with an effective date, DOTAX can administer this bill as drafted.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
KA 'OIHANA KUMUWAIWAI 'ĀINA

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DAWN N.S. CHANG  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
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RYAN K.P. KANAKA'OLE  
FIRST DEPUTY

CIARA W.K. KAHAHANE  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE  
MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES  
ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

Testimony of  
DAWN N. S. CHANG  
Chairperson

Before the House Committees on  
WATER AND LAND

Thursday, March 13, 2025  
9:00 AM

House Conference Room 411 & Videoconference

In consideration of  
SENATE BILL 1462, SENATE DRAFT 1  
RELATING TO A STATE HISTORIC PRESERVATION INCOME TAX CREDIT

Senate Bill 1462, Senate Draft 1 reenacts the Historic Preservation Income Tax Credit and establishes a cap of the total annual credit awarded at \$1,000,000 per year from taxable year 2025 through taxable year 2030 and repeals the tax credit on December 31, 2030. **The Department of Land and Natural Resources (Department) strongly supports this measure.**

This bill will re-establish the historic preservation tax credit (credit) that sunset on December 31, 2024; and will again make the credit available to both private residential dwellings and income producing properties. Over the past five years of the credit's existence, it has primarily been used to rehabilitate historic homes while making critical alterations that meet contemporary building standards. It has also helped to underwrite the rehabilitation and adaptive reuse of commercial buildings. Thus, the credit has proven a useful tool to prevent historic resources from becoming or remaining vacant while at the same time helped to preserve the character of historic resources and the vitality of historic districts.

The State Historic Preservation Division (Division) has seen steady and meaningful growth of the program over the course of the last five years. Before the credit expired, during the 2024 taxable year, the Division approved approximately \$2.1 million dollars in qualified rehabilitation expenses and certified \$633,924.16 in credits. In addition to the credit providing an incentive to rehabilitate existing buildings, it also contributes significant investments into local communities by creating jobs and supporting local businesses. These investments lead to an overall positive economic impact that help to increase property values, attract new businesses to underutilized historic districts, and provide housing that we desperately need, while enlarging the tax base as a whole.

Currently, the Division has an additional five historic preservation rehabilitation tax credit projects (two commercial and three residential) that were submitted prior to the sunset of the program but not yet completed in the 2024 taxable year. They will no longer be able to capture the historic preservation tax credit now that the program has expired. Reauthorizing the historic preservation tax credit will allow property owners with historic residential properties to purchase and stay in their homes while at the same time help commercial property owners to rehabilitate and adaptively reuse underutilized commercial properties. It will help to support local communities by creating jobs and contribute to stimulating the economy.

Mahalo for the opportunity to provide testimony on this measure.



# HISTORIC HAWAI'I FOUNDATION

680 Iwilei Road Suite 690, Honolulu HI 96817 • (808) 523-2900 • [preservation@historichawaii.org](mailto:preservation@historichawaii.org) • [www.historichawaii.org](http://www.historichawaii.org)

**TO:** Representative Mark J. Hashem, Chair  
Representative Rachele F. Lamosao, Vice Chair  
Committee on Water and Land (WAL)

**FROM:** Kiersten Faulkner, Executive Director  
Historic Hawai'i Foundation

**Committee:** Thursday, March 13, 2025  
9:00 a.m.  
Via Video Conference and Conference Room 411

**RE: SB 1462 SD1, Relating to State Historic Preservation Income Tax Credit**

On behalf of Historic Hawai'i Foundation (HHF), I am writing in **strong support for SB 1462 SD1**. The bill would extend the historic preservation income tax credit through the 2030 tax year.

In 2019, the legislature enacted and the governor signed into law a historic preservation tax credit for qualified construction expenses incurred in rehabilitation of historic structures. The program was approved for five-year period and sunsets in 2025 (covering tax year 2024).

Preserving and appropriately using historic buildings are ways to enhance community character, provide affordable housing, provide an alternative to sprawl, create jobs, encourage heritage tourism, and generally spur economic development in older neighborhoods and commercial districts. Historic preservation tax credit programs have proved to be successful incentives for rehabilitating older structures and returning them to useful life.

The State's historic tax credit program is starting to be more widely used and gaining momentum for helping to preserve and rehabilitate historic buildings. By reauthorizing the program, the tax credits can continue to support small businesses, housing conversions and improvements, heritage tourism and other economic activity that simultaneously celebrates and honors Hawai'i's historic places.

Thank you for the opportunity to comment.

**SB-1462-SD-1**

Submitted on: 3/11/2025 10:00:08 PM

Testimony for WAL on 3/13/2025 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ted Bohlen	Climate Protectors Hawaii	Support	Written Testimony Only

Comments:

Climate Protectors Hawaii **SUPPORTS** this bill!

Preserving and appropriately using historic buildings are ways to enhance community character, provide affordable housing, provide an alternative to sprawl, create jobs, encourage heritage tourism, and generally spur economic development in older neighborhoods and commercial districts.

Compared to new buildings, preserving existing buildings reduces greenhouse gas emissions, continues carbon sequestration, and reduces construction and demotion waste.

Please pass this bill!

Mahalo!

Climate Protectors Hawaii (by Ted Bohlen)



SugarCreekCapital.com  
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17 W Lockwood Ave  
St. Louis, MO 63119

March 12, 2025

Representative Mark Hashem, Chair  
Representative Lamosao, Vice Chair  
House Committee on Water and Land (WTL)

**RE: SB 1462 SD1, Relating to a State Historic Preservation Income Tax Credit**

Chair Hashem, Vice Chair Lamosao, and Members of the House Committee on Water and Land:

Sugar Creek Capital is submitting this testimony in **support** of SB 1462 SD1, which reenacts the Historic Preservation Income Tax Credit, establishes an annual cap amount on the tax credit of \$1,000,000, and sunsets 12/31/2030.

As drafted, SB 1462 SD1 has the following provision. Sugar Creek Capital respectfully requests the Committee to consider the amendment below beginning on page 1 line 16 through page 2 line 2. The proposed language would broaden the pool of tax credit buyers, thereby potentially increasing the value of the tax credit and attracting more capital to achieve the goal of the tax credit. This language is drawn from HRS §235-110.8, Low-income housing tax credit. The only change is to reference section 47 of the Internal Revenue Code rather than section 42.

(b) In the case of a partnership, S corporation, estate, trust, or any developer of a rehabilitated certified historic structure, the tax credit allowable shall be as provided under subsection (d) for the taxable year. The cost upon which the credit is computed shall be determined at the entity level [and the distribution and share of the tax credit shall be determined pursuant to section 704(b) of the Internal Revenue Code]. **A credit under this section may be allocated by a partnership or limited liability company in any manner agreed to by the partners or members regardless of whether the individual or entity to receive the credit is deemed to be a partner or member for federal income tax purposes, so long as the individual or entity is deemed to be a partner or member pursuant to applicable state law. The credit may be claimed whether or not the taxpayer is eligible to be allocated a rehabilitation credit pursuant to section 47 of the Internal Revenue Code.**

Thank you for hearing this important measure and considering the proposed amendment.

Sincerely,

A handwritten signature in black ink, appearing to read "Tania Choi".

Tania Choi