

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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FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**Testimony of  
DAWN N. S. CHANG  
Chairperson**

**Before the Senate Committee on  
WATER AND LAND  
Monday, February 10, 2025  
1:00 PM**

**State Capitol Conference Room 229 & Videoconference**

**In consideration of  
SENATE BILL 1462  
RELATING TO A STATE HISTORIC PRESERVATION INCOME TAX CREDIT**

Senate Bill 1462 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.

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
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**DEPARTMENT OF TAXATION**

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**GARY S. SUGANUMA**  
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DEPUTY DIRECTOR

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

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

**BEFORE THE:**

Senate Committee on Water and Land

**DATE:** Monday, February 10, 2025

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 229

Chair Inouye, Vice-Chair Elefante, and Members of the Committee:

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

S.B. 1462 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 total credit 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 takes effect upon approval, 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. DOTAX can administer this bill as drafted.

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



# HISTORIC HAWAI'I FOUNDATION

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**TO:** Senator Lorraine R. Inouye, Chair  
Senator Brandon J.C. Elefante, Vice Chair  
Committee on Water and Land (WTL)

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

**Committee:** Monday, February 10, 2025  
1:00 p.m.  
Via Video Conference and Conference Room 229

**RE: SB 1462, 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**. The bill would extend the historic preservation income tax credit for another six years.

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.

In December 2023, Historic Hawai'i Foundation co-sponsored a technical training on using both federal and state historic tax credits with partners National Park Service Technical Preservation Services and the Hawai'i State Historic Preservation Division.<sup>1</sup> The program was attended by some 80 interested parties across the state, including those with potential projects.

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<sup>1</sup> <https://historichawaii.org/2023/10/27/historic-tax-credits-seminar/>

The presentation included several case studies, including how historic tax credits assist with low income affordable housing. One affordable housing developer noted how they were able to combine the Federal historic tax credit with low income housing tax credits, but were not able to use the State historic tax credit due to limitations on syndication options for investors. They said the applicability for low-income housing projects would be improved by deleting §235- (b) "... 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." (SB 1462 page 1 lines 15-18).

We note this recommendation as an additional means to support affordable housing projects with a simple modification to the bill.

**HHF supports SB 1462 as introduced and would also support the amended language in the interest of improving the applicability for housing projects.**

Thank you for the opportunity to comment.

**SB-1462**

Submitted on: 2/8/2025 11:37:35 PM

Testimony for WTL on 2/10/2025 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ted Bohlen	Testifying for Climate Protectors Hawai'i	Support	Written Testimony Only

Comments:

Climate Protectors Hawai'i **SUPPORT** an income tax credit for historic preservation of certified structures in the amount of thirty per cent of qualified rehabilitation expenditures.

Climate Protectors Hawai'i point out that preserving housing uses less energy and is better for the climate than landfilling construction and demolition debris from a demolished historic structure.

Climate Protectors Hawai'i (by Ted Bohlen)