

1 employment in such areas as light industrial, wholesaling,
2 service and commercial activity."

3 The legislature finds that within the past decade, a
4 burgeoning number of high-density, high-rise developments have
5 been planned and constructed in accordance with Hawaii community
6 development authority's development plans for the Kakaako mauka
7 portion of the Kakaako community development district. The
8 growth of a high-density residential-commercial and retail
9 corridor through the Kakaako community development district is
10 beginning to threaten the existence of existing light
11 industrial, wholesaling, or service and commercial operations
12 due to increased property taxes and rents.

13 The purpose of this part is to fulfill the purposes of
14 chapter 206E, Hawaii Revised Statutes, that promoted small
15 business and light industrial development, by establishing a
16 state tax credit that offsets a portion of the industrial real
17 property tax assessments imposed by the city and county of
18 Honolulu.

19 SECTION 2. Chapter 206E, part II, Hawaii Revised Statutes,
20 is amended by adding a new section to be appropriately
21 designated and to read as follows:



1 "§206E- Industrial use; tax credit. Effective
2 January 1, , any real property with a total area of less
3 than square feet located within the Kakaako community
4 development district and designated as I-1, limited industrial
5 district, or I-2, intensive industrial district, by the city and
6 county of Honolulu shall be allowed a tax credit that is equal
7 to per cent of any industrial real property tax assessment
8 imposed by the city and county of Honolulu in a given tax year,
9 as provided by section 235- ; provided that the real property
10 is in use for light industrial, wholesaling, or service and
11 commercial operations in the tax year in which the tax credit is
12 claimed and retains the I-1 or I-2 designation in the year
13 following the tax year in which the tax credit is claimed."

14 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§235- Kakaako community development district;
18 industrial use tax credit. (a) Any law to the contrary
19 notwithstanding, there shall be allowed to each taxpayer subject
20 to the taxes imposed by this chapter, an income tax credit that
21 shall be deductible from the taxpayer's net income tax



1 liability, if any, imposed by this chapter for the taxable year
2 in which the credit is properly claimed.

3 (b) The amount of the credit shall be equal to _____ per
4 cent of any industrial real property tax assessment imposed by
5 the city and county of Honolulu in a given tax year on any real
6 property with a total area of less than _____ square feet
7 located within the Kakaako community development district and
8 designated as I-1, limited industrial district, or I-2,
9 intensive industrial district, by the city and county of
10 Honolulu; provided that the real property is in use for light
11 industrial, wholesaling, or service and commercial operations in
12 the tax year in which the tax credit is claimed and retains the
13 I-1 or I-2 designation in the year following the tax year in
14 which the tax credit is claimed. The maximum allowable credit
15 that can be properly claimed in any taxable year shall not
16 exceed \$ _____ .

17 (c) If the tax credit under this section exceeds the
18 taxpayer's income tax liability, the excess of credits over
19 liability shall be refunded to the taxpayer; provided that no
20 refunds or payment on account of the tax credits allowed by this
21 section shall be made for amounts less than \$1. All claims,
22 including any amended claims, for tax credits under this section



1 shall be filed on or before the end of the twelfth month
2 following the close of the taxable year for which the credit may
3 be claimed. Failure to comply with the foregoing provision
4 shall constitute a waiver of the right to claim the credit.

5 (d) Recapture of a previously claimed credit shall be
6 required by the taxpayer who received the credit if any of the
7 following occur:

8 (1) The previously qualified property is no longer
9 designated as I-1, limited industrial district, or I-2
10 intensive industrial district; or

11 (2) The previously qualified property is no longer used
12 for industrial or commercial purposes.

13 (e) The director of taxation shall prepare forms as may be
14 necessary to claim a credit under this section. The director
15 may also require the taxpayer to furnish information to
16 ascertain the validity of the claim for credit made under this
17 section and may adopt rules necessary to effectuate the purposes
18 of this section pursuant to chapter 91.

19 (f) The tax credit allowed under this section shall be
20 available for taxable years beginning after December 31, _____,
21 and shall not be available for taxable years beginning after
22 December 31, _____.



1 legislature to provide funds to finance such public facilities.
2 The authority [~~shall~~] may fix the assessments against real
3 property specially benefited. All assessments made pursuant to
4 this section shall be a statutory lien against each lot or
5 parcel of land assessed from the date of the notice declaring
6 the assessment until paid and such lien shall have priority over
7 all other liens except the lien of property taxes. As between
8 liens of assessments, the earlier lien shall be superior to the
9 later lien."

10 2. By amending subsection (d) to read:

11 "(d) Any other law to the contrary notwithstanding, in
12 assessing real property for public facilities, the authority
13 [~~shall~~] may assess the real property within an assessment area
14 according to the special benefits conferred upon the real
15 property by the public facilities, even if the zoning
16 classifications are I-1 or I-2. These methods may include
17 assessment on a frontage basis or according to the area of real
18 property within an assessment area or any other assessment
19 method which assesses the real property according to the special
20 benefit conferred, or any combination thereof. No such
21 assessment levied against real property specially benefited as
22 provided by this chapter shall constitute a tax on real property



1 within the meanings of any constitutional or statutory
2 provisions."

3 SECTION 5. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 6. This Act shall take effect upon its approval
6 and shall apply to taxable years beginning after December 31,
7 2007.



Report Title:

Kakaako; Taxation; Industrial Business Tax Credit

Description:

Provides an unspecified tax credit for real property in the Kakaako community development district zoned I-1 and I-2 for a portion of the industrial real property tax assessment imposed by the city and county of Honolulu; provided that the property was in use for light industrial, wholesaling, or service and commercial operations in the year in which the tax credit is taken and retains I-1 or I-2 zoning; clarifies that the HCDA may, not shall, affix assessments against real property for district-wide improvements. (SD1)

