
A BILL FOR AN ACT

RELATING TO TOURISM STIMULUS INITIATIVES.

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

1 SECTION 1. The legislature finds that tourism is Hawaii's
2 principal industry, with visitor expenditures estimated to be
3 over \$15,000,000,000 in 2013, representing approximately twenty
4 per cent of Hawaii's economy. Tourists' stays at hotels and
5 resorts, shopping, recreational activities, and attendance at
6 attractions and sporting events contribute significantly to
7 Hawaii's tax base.

8 The legislature further finds that Hawaii's travel and
9 tourism industry must continue to refresh its product offering
10 to support and attract new and repeat travelers, compete with
11 other global destinations, and distinguish Hawaii as a unique
12 travel and tourist destination. Hawaii cannot continue to rely
13 on aging hotel and resort infrastructure and hope for the best.
14 Hawaii is at risk of losing its competitive edge in the travel
15 and tourism industry to emerging tourist destinations that are
16 competing for Hawaii's travel and tourism business. Traditional
17 financing has failed to generate new construction and renovation
18 work, and jobs are lacking.



1 The purpose of this Act is to provide an income tax credit
2 for hotel construction and renovation for taxable years
3 beginning in the period after December 31, 2014, and through
4 December 31, 2019.

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

8 "**§235- Hotel construction and renovation tax credit.**

9 (a) There shall be allowed to each taxpayer subject to the
10 taxes imposed by this chapter a hotel construction and
11 renovation tax credit which shall be deductible from the
12 taxpayer's net income tax liability, if any, imposed by this
13 chapter for the taxable year in which the credit is properly
14 claimed.

15 (b) The amount of the credit shall be equal to per
16 cent of the construction or renovation costs incurred by the
17 taxpayer during the taxable year for each qualified hotel
18 facility located in Hawaii, and shall not include the
19 construction or renovation costs for which another credit was
20 claimed under this chapter for the taxable year.

21 (c) In the case of a partnership, S corporation, estate,
22 trust, association of apartment owners of a qualified hotel



1 facility, time share owners association, or any developer of a
2 time share project, the tax credit allowable is for construction
3 or renovation costs incurred by the entity for the taxable year.
4 The cost upon which the tax credit is computed shall be
5 determined at the entity level. Distribution and share of
6 credit shall be determined pursuant to section 704(b) (with
7 respect to partner's distributive share) of the Internal Revenue
8 Code.

9 (d) If a deduction is taken under section 179 (with
10 respect to election to expense certain depreciable business
11 assets) of the Internal Revenue Code, no tax credit shall be
12 allowed for that portion of the construction or renovation cost
13 for which the deduction is taken.

14 The basis of eligible property for depreciation or
15 accelerated cost recovery system purposes for state income taxes
16 shall be reduced by the amount of credit allowable and claimed.
17 In the alternative, the taxpayer shall treat the amount of the
18 credit allowable and claimed as a taxable income item for the
19 taxable year in which it is properly recognized under the method
20 of accounting used to compute taxable income.

21 (e) The credit allowed under this section shall be claimed
22 against the net income tax liability for the taxable year. If



the tax credit under this section exceeds the taxpayer's income tax liability, the excess of credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for a 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.

(f) The director of taxation shall prepare any forms that may be necessary to claim a credit under this section. The director may also require the taxpayer to furnish information to ascertain the validity of the claim for credit made under this section and may adopt rules necessary to effectuate the purposes of this section pursuant to chapter 91.

(g) The department of business, economic development, and tourism shall obtain and certify information as follows:

A taxpayer claiming a credit under this section shall complete and file with the department of business, economic development, and tourism, through that department's website, an annual survey on electronic forms prepared and prescribed by the department of business, economic development, and tourism. The



1 annual survey shall be filed before June 30 of each calendar
2 year following the calendar year in which the credit may be
3 claimed under this section. The department of business,
4 economic development, and tourism may adjust the due date of the
5 annual survey by rules adopted pursuant to chapter 91. Failure
6 by the taxpayer to submit the annual survey by the due date
7 established under this subsection shall be deemed to be a waiver
8 of the right to claim the credit under this section.

9 The annual survey shall include the following information
10 for the time period or periods specified by the department of
11 business, economic development, and tourism:

12 (1) The names of the taxpayers and qualified hotel
13 facilities thereof claiming the tax credit under
14 subsection (a);

15 (2) The aggregate amounts of construction or renovation
16 costs per qualified hotel facility per taxable year;

17 (3) The total amount of the tax credit for each taxable
18 year and the cumulative amount of the tax credit for
19 all years claimed;

20 (4) Hawaii employment and wage data, including the number
21 of full-time and part-time employees employed to
22 perform construction or renovation services; and



1 (5) Certification that the laborers and mechanics who
2 performed the work were paid pursuant to chapter 104.

3 The department of business, economic development, and
4 tourism shall request information in each of these categories
5 sufficient to measure the effectiveness of the tax credit under
6 this section, and may request any additional, nonduplicative
7 information necessary to measure the effectiveness of the tax
8 credit.

9 (h) To qualify for the tax credit under this section, the
10 taxpayer shall be in compliance with all applicable federal,
11 state and county statutes, rules and regulations. Pursuant to
12 chapter 104-2 and chapter 104-3, certified copies of all
13 payrolls shall be submitted to the department of labor and
14 industrial relations. To qualify for the tax credit under this
15 section, certification of compliance with chapter 104 by the
16 department of labor and industrial relations shall be required.

17 (i) As used in this section:

18 "Construction or renovation costs" means any costs incurred
19 during the taxable year for plans, design, construction, and
20 equipment related to new construction, alterations, or
21 modifications to a qualified hotel facility.



1 "Net income tax liability" means income tax liability
2 reduced by all other credits allowed under this chapter.

3 "Qualified hotel facility" means a hotel, hotel-
4 condominium, or condominium-hotel, as defined in section 486K-1,
5 and includes a project, as defined in section 514E-1.

6 "Taxpayer" means a taxpayer under this chapter, and
7 includes:

8 (1) An association of apartment owners; or

9 (2) A time share owners association.

10 (j) The tax credit allowed under this section shall be
11 available for taxable years beginning after December 31, 2014,
12 and shall not be available for taxable years beginning after
13 December 31, 2019."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2050, and
16 apply to taxable years beginning after December 31, 2014.



Report Title:

Income Tax Credit; Hotel Construction and Renovation

Description:

Provides an income tax credit for qualified hotel construction and renovation for taxable years beginning in the period after December 31, 2014, through December 31, 2019. (SB2968 HD2)

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