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# A BILL FOR AN ACT

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RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

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

1       SECTION 1. The laws of Hawaii divide the duties and  
2 responsibilities of providing public services between the State  
3 and the counties. The legislature finds that a primary  
4 residential property owner tax credit will encourage home owners  
5 to maintain the property as their primary residence, rather than  
6 convert it to transient accommodations and thereby exacerbate an  
7 already problematic situation. The purpose of this Act is to  
8 allocate transient accommodations tax revenues to the counties  
9 on a reimbursement basis for public services provided and  
10 primary residential property owner tax credits allowed by the  
11 counties.

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

15       "§235-       Primary residential property owner tax credit.

16       (a) There shall be allowed to each qualified taxpayer subject  
17 to the tax imposed under this chapter, a primary residential



1 property owner tax credit that shall be deductible from the  
2 taxpayer's net income tax liability, if any, imposed by this  
3 chapter for the taxable year in which the credit is properly  
4 claimed.

5 (b) In the case of a partnership, S corporation, estate,  
6 or trust, the tax credit allowable is for qualified expenses  
7 incurred by the entity for the taxable year. The expenses upon  
8 which the tax credit is computed shall be determined at the  
9 entity level. Distribution and share of credit shall be  
10 determined by rule.

11 (c) The primary residential property owner tax credit  
12 shall be equal to \$ multiplied by the number of the  
13 taxpayer's qualified exemptions.

14 (d) The director of taxation:

15 (1) Shall prepare any forms that may be necessary to claim  
16 a tax credit under this section;

17 (2) May require the taxpayer to furnish reasonable  
18 information to ascertain the validity of the claim for  
19 the tax credit made under this section; and

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



1       (e) If the tax credit claimed by a qualified taxpayer  
2 exceeds the amount of income tax payment due from the qualified  
3 taxpayer, the excess of the credit over payments due shall be  
4 refunded to the qualified taxpayer; provided that tax credit  
5 properly claimed by a qualified individual who has no income tax  
6 liability shall be paid to the qualified individual; and  
7 provided further that no refunds or payment on account of the  
8 tax credit allowed by this section shall be made for amounts  
9 less than \$1.

10       All claims for the tax credit under this section, including  
11 amended claims, shall be filed on or before the end of the  
12 twelfth month following the close of the taxable year for which  
13 the credit may be claimed. Failure to comply with the foregoing  
14 provision shall constitute a waiver of the right to claim the  
15 credit.

16       (f) As used in this section, "qualified taxpayer" means a  
17 resident individual taxpayer who:

- 18       (1) Claims the tax credit on the taxpayer's primary  
19 residence in the State and does not permit transient  
20 accommodations as defined in section 237D-1;



1        (2) Pays real property taxes to a county of the State for  
2        the taxpayer's primary residence during the taxable  
3        year;

4        (3) Is not claimed or is not otherwise eligible to be  
5        claimed as a dependent by another taxpayer for federal  
6        or Hawaii state individual income tax purposes; and

7        (4) Has been a resident of the State, as defined in  
8        section 235-1, for at least nine months regardless of  
9        whether the qualified resident was physically in the  
10       State for nine months.

11 Upon request, each county shall provide the department of  
12 taxation with any information necessary to determine if a  
13 taxpayer fulfills the foregoing requirements."

14       SECTION 3. Section 237D-6.5, Hawaii Revised Statutes, is  
15 amended by amending subsection (b) to read as follows:

16       "(b) Except for the revenues collected pursuant to section  
17 237D-2(e), revenues collected under this chapter shall be  
18 distributed in the following priority, with the excess revenues  
19 to be deposited into the general fund:

20       (1) \$1,500,000 shall be allocated to the Turtle Bay  
21 conservation easement special fund beginning July 1,



1           2015, for the reimbursement to the state general fund  
2           of debt service on reimbursable general obligation  
3           bonds, including ongoing expenses related to the  
4           issuance of the bonds, the proceeds of which were used  
5           to acquire the conservation easement and other real  
6           property interests in Turtle Bay, Oahu, for the  
7           protection, preservation, and enhancement of natural  
8           resources important to the State, until the bonds are  
9           fully amortized;

10          (2)   \$26,500,000 shall be allocated to the convention  
11               center enterprise special fund established under  
12               section 201B-8;

13          (3)   \$82,000,000 shall be allocated to the tourism special  
14               fund established under section 201B-11; provided that:

15            (A)   Beginning on July 1, 2012, and ending on June 30,  
16               2015, \$2,000,000 shall be expended from the  
17               tourism special fund for development and  
18               implementation of initiatives to take advantage  
19               of expanded visa programs and increased travel  
20               opportunities for international visitors to  
21               Hawaii;



1 (B) Of the \$82,000,000 allocated:

2 (i) \$1,000,000 shall be allocated for the  
3 operation of a Hawaiian center and the  
4 museum of Hawaiian music and dance at the  
5 Hawaii convention center; and

6 (ii) 0.5 per cent of the \$82,000,000 shall be  
7 transferred to a sub-account in the tourism  
8 special fund to provide funding for a safety  
9 and security budget, in accordance with the  
10 Hawaii tourism strategic plan 2005-2015; and

11 (C) Of the revenues remaining in the tourism special  
12 fund after revenues have been deposited as  
13 provided in this paragraph and except for any sum  
14 authorized by the legislature for expenditure  
15 from revenues subject to this paragraph,  
16 beginning July 1, 2007, funds shall be deposited  
17 into the tourism emergency special fund,  
18 established in section 201B-10, in a manner  
19 sufficient to maintain a fund balance of  
20 \$5,000,000 in the tourism emergency special fund;



(4) ~~[\$103,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent;]~~ The amount necessary as certified by the director of finance to reimburse the counties for the costs expended by the counties for the provision of public services and qualifying tax credits allowed as specified in this paragraph; provided that the amounts reimbursed to each county shall not exceed the following amounts: \$ \_\_\_\_\_ for Kauai county, \$ \_\_\_\_\_ for Hawaii county, \$ \_\_\_\_\_ for city and county of Honolulu, and \$ \_\_\_\_\_ for Maui county. To receive the reimbursement, the county shall apply for the reimbursement within ninety days after the expenditure of county funds or allowing the primary residential property owner tax credit under section 235- ; provided that failure to comply with this provision shall constitute a waiver of the right to claim a reimbursement. The director of finance shall prepare forms as may be necessary to claim the



1        reimbursement. The director of finance may require  
2        the county to furnish information to ascertain the  
3        validity of the claim for reimbursement under this  
4        paragraph and may adopt rules necessary to effectuate  
5        the purpose of this paragraph pursuant to chapter 91;  
6        provided that commencing with fiscal year 2018-2019, a  
7        sum that represents the difference between a county  
8        public employer's annual required contribution for the  
9        separate trust fund established under section 87A-42  
10       and the amount of the county public employer's  
11       contributions into that trust fund shall be retained  
12       by the state director of finance and deposited to the  
13       credit of the county public employer's annual required  
14       contribution into that trust fund in each fiscal year,  
15       as provided in section 87A-42, if the respective  
16       county fails to remit the total amount of the county's  
17       required annual contributions, as required under  
18       section 87A-43 [~~and~~]. Each county may claim  
19       reimbursements for the following expenditures of  
20       county funds or tax credit for:  
21       (A) Enforcing county ordinances relating to transient



1                   accommodations;

2           (B)   Establishing, operating, and maintaining public  
3                   mass transportation;

4           (C)   Providing grants for cesspool conversion county  
5                   programs affecting natural resources;

6           (D)   Establishing, implementing, and updating, in  
7                   coordination with the Hawaii tourism authority,  
8                   county visitor industry strategic plans and  
9                   priorities;

10          (E)   Providing ocean safety programs, including  
11                   infrastructure and equipment, such as lifeguard  
12                   towers, swim buoys, and video cameras, staffing  
13                   and operating costs, and education and visitor  
14                   awareness; and

15          (F)   Allowing the primary residential property owner  
16                   tax credit under section 235-   ; and

17          (5)   \$3,000,000 shall be allocated to the special land and  
18                   development fund established under section 171-19;  
19                   provided that the allocation shall be expended in  
20                   accordance with the Hawaii tourism authority strategic  
21                   plan for:



- 1 (A) The protection, preservation, maintenance, and  
2 enhancement of natural resources, including  
3 beaches, important to the visitor industry;  
4 (B) Planning, construction, and repair of facilities;  
5 and  
6 (C) Operation and maintenance costs of public lands,  
7 including beaches, connected with enhancing the  
8 visitor experience.

9 All transient accommodations taxes shall be paid into the  
10 state treasury each month within ten days after collection and  
11 shall be kept by the state director of finance in special  
12 accounts for distribution as provided in this subsection.

13 As used in this subsection, "fiscal year" means the twelve-  
14 month period beginning on July 1 of a calendar year and ending  
15 on June 30 of the following calendar year."

16 SECTION 4. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 5. This Act shall take effect on July 1, 2050.



**Report Title:**

Transient Accommodations Tax; Counties; Reimbursement; Tax Credit; Primary Residence; Property Owner

**Description:**

Amends the amount of transient accommodations tax revenues allocated to the counties from a specified sum to reimbursements to the county for expenditures related to specified county public services and specified tax credits allowed. Provides a primary residential property owner who does not provide transient accommodations with a tax credit. (HB1665 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

