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# A BILL FOR AN ACT

RELATING TO HOUSING.

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

1           SECTION 1. The legislature finds that Hawaii's housing  
2 market suffers from a persistent shortage of housing,  
3 particularly housing that is affordable for Hawaii's workforce  
4 and lower income groups. Approximately thirty-six per cent of  
5 Hawaii's households are cost-burdened, meaning that these  
6 households pay more than thirty per cent of their income on  
7 housing costs. About half of these households pay more than  
8 fifty per cent of their income on housing. The *Hawai'i Housing*  
9 *Planning Study 2016* reports that approximately 24,551 housing  
10 units are estimated to be needed statewide from 2016 to 2020.  
11 Of this total, approximately 13,500 units, or fifty-five per  
12 cent, are needed for households earning eighty per cent and  
13 below the area median income (AMI). Typically, these are rental  
14 units.

15           The purpose of this Act is to increase the availability of  
16 and access to housing stock in the State by encouraging  
17 investment in affordable housing development projects by



1 expanding the pool of investors that may qualify for low-income  
2 housing tax credits.

3 SECTION 2. Section 235-110.8, Hawaii Revised Statutes, is  
4 amended as follows:

5 1. By amending subsection (f) to read:

6 "(f) For the purposes of this section, the determination  
7 of:

8 (1) Qualified basis and qualified low-income building  
9 shall be made under section 42(c) [~~7~~] of the Internal  
10 Revenue Code;

11 (2) Eligible basis shall be made under section 42(d) [~~7~~] of  
12 the Internal Revenue Code;

13 (3) Qualified low-income housing project shall be made  
14 under section 42(g) [~~7~~] of the Internal Revenue Code;  
15 and

16 (4) Recapture of credit shall be made under section  
17 42(j) [~~7~~] of the Internal Revenue Code, except that the  
18 tax for the taxable year shall be increased under  
19 section 42(j) (1) of the Internal Revenue Code only  
20 with respect to credits that were used to reduce state  
21 income taxes [~~7~~ and



1       ~~(5) Application of at risk rules shall be made under~~  
2               ~~section 42(k);~~  
3 ~~of the Internal Revenue Code]."~~

4           2. By amending subsection (i) to read:

5           "(i) The credit allowed under this section shall be  
6 claimed against net income tax liability for the taxable year.  
7 For the purpose of deducting this tax credit, net income tax  
8 liability means net income tax liability reduced by all other  
9 credits allowed the taxpayer under this chapter.

10          A tax credit under this section that exceeds the taxpayer's  
11 income tax liability may be used as a credit against the  
12 taxpayer's income tax liability in subsequent years until  
13 exhausted. All claims for a tax credit under this section shall  
14 be filed on or before the end of the twelfth month following the  
15 close of the taxable year for which the credit may be claimed.  
16 Failure to properly and timely claim the credit shall constitute  
17 a waiver of the right to claim the credit. A taxpayer may claim  
18 a credit under this section only if the building or project is a  
19 qualified low-income housing building or a qualified low-income  
20 housing project under section 42 of the Internal Revenue Code.



1        Section 42(k) (with respect to application of at-risk  
2 rules), section 465 (with respect to deductions limited to  
3 amount of risk), and section 469 (with respect to passive  
4 activity losses and credits limited) of the Internal Revenue  
5 Code shall not be applied [~~in~~] with respect to investments in  
6 buildings and projects claiming the credit under this section."

7        SECTION 3. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9        SECTION 4. This Act shall take effect on July 1, 2050;  
10 provided that:

11        (1) Section 2 of this Act shall apply to qualified low-  
12 income buildings awarded credits beginning after  
13 December 31, 2050; and

14        (2) The amendments made in section 2 of this Act shall not  
15 be repealed when section 235-110.8, Hawaii Revised  
16 Statutes, is reenacted on December 31, 2021, pursuant  
17 to Act 129, Session Laws of Hawaii 2016.



**Report Title:**

Low-income Housing Tax Credit

**Description:**

Specifies that certain provisions of the Internal Revenue Code related to at-risk rules and deductions and to passive activity losses do not apply with respect to claims from the state low-income housing tax credit. Effective 7/1/2050. (SD2)

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

