

JAN 19 2018

A BILL FOR AN ACT

RELATING TO REAL PROPERTY.

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

1 SECTION 1. The legislature finds that some homeowners may
2 be forced to sell their principal residence at a loss during
3 times of falling home prices. Such a situation could wipe out
4 their equity in the home and effectively diminish their personal
5 wealth.

6 The legislature further finds that homeowners faced with
7 the prospect of an at-loss sale are less likely to sell their
8 homes to pursue new economic opportunities, and borrowers who
9 have fallen into negative equity are fifty per cent less likely
10 to be mobile. This combination of factors means that
11 unmitigated losses on home sales contribute to economic
12 downturns.

13 The legislature further finds that an income tax credit is
14 a viable means of providing financial relief to homeowners who
15 sell their principal residence at a price that is less than the
16 price at which they bought the home.



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1 The purpose of this Act is to provide an income tax credit
2 to homeowners who sell their principal residence at a price that
3 is less than the original purchase price.

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

7 "§235- Credit on short sale of principal residence. (a)

8 There shall be allowed to each individual taxpayer subject to
9 the tax imposed by this chapter a credit against the taxpayer's
10 net income tax liability, if any, equal to the applicable
11 percentage of the loss on the sale of the taxpayer's principal
12 residence for the taxable year in which the credit is properly
13 claimed; provided that no taxpayer may claim this tax credit
14 whose Hawaii adjusted gross income is greater than the median
15 household income for the State.

16 (b) For purposes of subsection (a), the taxpayer's
17 applicable percentage shall be determined as follows:

<u>Adjusted gross income</u>	<u>Applicable percentage</u>
<u>Not over \$25,000</u>	<u>25%</u>
<u>Over \$25,000 but</u>	<u>24%</u>
<u>not over \$30,000</u>	



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1	<u>Over \$30,000 but</u>	<u>23%</u>
2	<u>not over \$35,000</u>	
3	<u>Over \$35,000 but</u>	<u>22%</u>
4	<u>not over \$40,000</u>	
5	<u>Over \$40,000 but</u>	<u>21%</u>
6	<u>not over \$45,000</u>	
7	<u>Over \$45,000 but</u>	<u>20%</u>
8	<u>not over \$50,000</u>	
9	<u>Over \$50,000</u>	<u>15%.</u>

10 (c) The credit under subsection (a) shall apply if the
11 taxpayer sells the principal residence at an amount that is
12 per cent of the original purchase price of the home.

13 (d) If the tax credit under this section exceeds the
14 taxpayer's net income tax liability, the excess of credit over
15 liability may be used as a tax credit against the taxpayer's net
16 income tax liability in the subsequent years until
17 exhausted.

18 All claims for a tax credit under this section, including
19 amended claims, shall be filed on or before the end of the
20 twelfth month following the close of the taxable year for which
21 the tax credit may be claimed. Failure to comply with the



1 foregoing provision shall constitute a waiver of the right to
2 claim the tax credit.

3 (e) In the alternative to subsection (d), a taxpayer may
4 elect to reduce the eligible credit amount from subsection (a)
5 by thirty per cent and if this reduced amount exceeds the amount
6 of income tax payment due from the taxpayer, the excess of the
7 credit amount over payments due shall be refunded to the
8 taxpayer; provided that tax credit amounts properly claimed by a
9 taxpayer who has no income tax liability shall be paid to the
10 taxpayer; provided further that no refund on account of the tax
11 credit allowed by this section shall be made for amounts less
12 than \$1. The election required by this subsection shall be made
13 in a manner prescribed by the director on the taxpayer's return
14 for the taxable year in which the principal residence is sold.
15 An election once made is irrevocable.

16 (f) No other credit or deduction may be claimed under this
17 chapter for the loss used to properly claim the tax credit under
18 this section for the taxable year.

19 (g) The total amount of tax credits allowed under this
20 section shall not exceed \$2,000,000 for all taxpayers in any
21 taxable year; provided that any taxpayer who is not eligible to



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1 claim the credit in a taxable year due to the \$2,000,000 cap
2 having been met for that taxable year shall be eligible to claim
3 the credit in the subsequent taxable year.

4 (h) The director of taxation shall prepare such forms as
5 may be necessary to claim the credit under this section and may
6 require proof of the claim."

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval;
9 provided that section 2 shall apply to taxable years beginning
10 after December 31, 2018.

11

INTRODUCED BY: _____

A handwritten signature in black ink, appearing to be 'Stacy', written over a horizontal line.

S.B. NO. 2277

Report Title:

Income Taxes; Credit for Loss on Sale of Home; Cash Discount;
Short Sale

Description:

Allows an income tax credit on sales of principal residences that are less than the home's original purchase price, limited by the taxpayer's income, up to an annual statewide cap of \$2,000,000. Allows for a taxpayer to elect to take a discounted amount as a cash refund.

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

