
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Wildfire relief investment tax credit. (a)

5 There shall be allowed to each taxpayer subject to the taxes
6 imposed by this chapter a wildfire relief investment tax credit
7 that shall be deductible from the taxpayer's net income tax
8 liability, if any, imposed by this chapter for the taxable year
9 in which the investment was made, and the following four years
10 provided the credit is properly claimed. The tax credit shall
11 be as follows:

12 (1) In the year the investment was made, thirty-five per
13 cent;

14 (2) In the first year following the year in which the
15 investment was made, thirty-five per cent;

16 (3) In the second year following the investment, twenty
17 per cent;



1 (4) In the third year following the investment, ten per
2 cent; and
3 (5) In the fourth year following the investment, ten per
4 cent,
5 of the investment made by the taxpayer in each qualified
6 business or redevelopment resiliency project, up to a maximum
7 allowed credit in the year the investment was made, \$50,000,000;
8 in the first year following the year in which the investment was
9 made, \$35,000,000; in the second year following the year in
10 which the investment was made, \$25,000,000; in the third year
11 following the year in which the investment was made,
12 \$12,500,000; and in the fourth year following the year in which
13 the investment was made, \$12,500,000; provided that the tax
14 credit provided under this section shall not be used to offset
15 any tax liability incurred under chapter 240, 241, or 431;
16 provided further that a taxpayer shall waive tax information
17 confidentiality in order to claim a tax credit under this
18 section.

19 (b) The credit allowed under this section shall be claimed
20 against the net income tax liability for the taxable year. For
21 the purpose of this section, "net income tax liability" means



1 net income tax liability reduced by all other credits allowed
2 under this chapter.

3 Application of at-risk rules shall be made under section 49
4 of the Internal Revenue Code.

5 Section 469 (with respect to passive activity losses and
6 credits limited) of the Internal Revenue Code shall be applied
7 in claiming the credit under this section.

8 (c) If the tax credit under this section exceeds the
9 taxpayer's income tax liability for any of the five years that
10 the credit is taken, the excess of the tax credit over liability
11 may be used as a credit against the taxpayer's income tax
12 liability in subsequent years until exhausted. Every claim,
13 including amended claims, for a tax credit under this section
14 shall be filed on or before the end of the twelfth month
15 following the close of the taxable year for which the credit may
16 be claimed. Failure to comply with the foregoing provision
17 shall constitute a waiver of the right to claim the credit.

18 (d) If at the close of any taxable year in the five-year
19 period described in subsection (a):

20 (1) The business no longer qualifies as a qualified
21 business or redevelopment resiliency project;



1 (2) The business or an interest in the business has been
2 sold by the taxpayer investing in the qualified
3 business or redevelopment resiliency project; or
4 (3) The taxpayer has withdrawn the taxpayer's investment
5 wholly or partially from the qualified business or
6 redevelopment resiliency project,
7 the credit claimed under this section shall be recaptured. The
8 recapture shall be equal to ten per cent of the amount of the
9 total tax credit claimed under this section in the preceding two
10 taxable years. The amount of the credit recaptured shall apply
11 only to the investment in the particular qualified business or
12 redevelopment resiliency project that meets the requirements of
13 paragraph (1), (2), or (3). The recapture provisions of this
14 subsection shall not apply to a tax credit claimed for a
15 qualified business or redevelopment resiliency project that does
16 not fall within the provisions of paragraph (1), (2), or (3).
17 The amount of the recaptured tax credit determined under this
18 subsection shall be added to the taxpayer's tax liability for
19 the taxable year in which the recapture occurs under this
20 subsection.



1 (e) Before March 31 of each year in which an investment in
2 a qualified business or redevelopment resiliency project was
3 made in the previous taxable year, every taxpayer shall submit a
4 written, certified statement to the director of taxation
5 identifying:

6 (1) Qualified investments, if any, expended in the
7 previous taxable year; and

8 (2) The amount of tax credits claimed pursuant to this
9 section, if any, in the previous taxable year.

10 (f) The department shall:

11 (1) Maintain records of the names and addresses of the
12 taxpayers claiming the credits under this section and
13 the total amount of the qualified investment costs
14 upon which the tax credit is based;

15 (2) Verify the nature and amount of the qualifying
16 investments;

17 (3) Total all qualifying and cumulative investments that
18 the department certifies; and

19 (4) Certify the amount of the tax credit for each taxable
20 year and cumulative amount of the tax credit.



1 Upon each determination made under this subsection, the
2 department shall issue a certificate to the taxpayer verifying
3 information submitted to the department, including qualifying
4 investment amounts, the credit amount certified for each taxable
5 year, and the cumulative amount of the tax credit during the
6 credit period. The taxpayer shall file the certificate with the
7 taxpayer's tax return with the department.

8 The director of taxation may assess and collect a fee to
9 offset the costs of certifying tax credits claimed under this
10 section. All fees collected under this section shall be
11 deposited into the tax administration special fund established
12 under section 235-20.5.

13 (g) The department shall submit a report to the
14 legislature evaluating the effectiveness of the tax credit no
15 later than twenty days prior to the convening of each regular
16 legislative session. The report shall include any findings and
17 recommendations to improve the effectiveness of the tax credit
18 in order to further encourage investment in areas affected by
19 the Lahaina wildfire of 2023.

20 (h) This section shall not apply to taxable years
21 beginning after December 31, 2028.



1 (i) As used in this section:

2 "Department" means the department of taxation.

3 "Lahaina district" has the same meaning as used in
4 section 4-1(2) (D).

5 "Qualified business" means a business, employing or owning
6 capital or property, or maintaining an office, in this State;
7 provided that:

8 (1) The business is registered to do business in the
9 State;

10 (2) The business maintains its headquarters or principal
11 place of business in the Lahaina district;

12 (3) The business shall have existed prior to August 8,
13 2023;

14 (4) The business can demonstrate that it has experienced
15 financial hardship due to the Lahaina wildfire of
16 2023; and

17 (5) The business is a small business.

18 "Redevelopment resiliency project" means a project to
19 redevelop areas damaged by the Lahaina wildfire of 2023.

20 "Small business" has the same meaning as defined in
21 section 201M-1."



1 SECTION 2. New statutory material is underscored.

2 SECTION 3. This Act shall take effect on January 1, 2060,
3 and shall apply to taxable years beginning after December 31,
4 2024.



Report Title:

Wildfire Relief Investment Tax Credit

Description:

Establishes an income tax credit to encourage investment in businesses affected by the 2023 Lahaina wildfire, and in redevelopment resiliency projects occurring within the Lahaina district. Takes effect 1/1/2060. (SD1)

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

