
A BILL FOR AN ACT

RELATING TO CREATIVE DISTRICTS.

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

1 SECTION 1. The legislature finds that creative districts
2 are areas designated to encourage economic growth through the
3 development of creative activities within the community. In
4 many states, businesses within designated cultural or creative
5 districts have evolved to improve the quality of life for
6 residents of the area and rejuvenated the community. The
7 legislature further finds that creative districts utilize the
8 cultural and artistic resources within the designated areas to
9 stimulate economic development, revitalize communities, and
10 unleash the artistic and cultural potential of those who live,
11 work, and play within the designated areas.

12 Accordingly, the purpose of this Act is to:

- 13 (1) Create a process for the establishment of a creative
14 district;
- 15 (2) Establish a five-year tax credit for creative
16 districts;



1 (3) Permit counties to enact incentives for creative
2 districts; and

3 (4) Require the state foundation on culture and the arts
4 to submit an annual report to the legislature on
5 creative districts.

6 SECTION 2. Chapter 9, Hawaii Revised Statutes, is amended
7 by adding a new part to be appropriately designated and to read
8 as follows:

9 "PART . CREATIVE DISTRICTS

10 §9-A Definitions. As used in this part:

11 "Advisory committee" means the advisory committee
12 established by the foundation pursuant to section 9-C.

13 "Creative district" means a designated area that:

14 (1) Is a single contiguous area of real property not less
15 than acres within an urban or rural district;

16 (2) Is distinguished by physical, artistic, cultural, or
17 natural resources that are vital to the quality of
18 life of the community;

19 (3) Has:

20 (A) A concentration of artistic craft enterprises;

21 (B) A concentration of cultural activities; or



1 (C) Major artistic or cultural institutions or
2 facilities; or

3 (4) Is where the development of an artistic or cultural
4 community is proposed.

5 "Creative enterprise" means:

6 (1) A business or venture that involves a trade or
7 occupation that integrates the arts into an economic
8 development strategy and contributes to economic
9 development and community revitalization; or

10 (2) A cultural organization or business that furthers the
11 development and marketing of the community's cultural
12 assets.

13 "Lease" means the conveyance of land or an interest in land
14 by the fee owner for a term of twenty years or more.

15 "Lessee" means any person to whom land is leased.

16 **§9-B Creative districts; establishment; terms.** (a) A
17 creative district may be established if more than fifty per cent
18 of the landowners and lessees in a contiguous area submit a
19 petition to the advisory committee for the designation of the
20 area as a creative district.

21 (b) The petition shall include:



- 1 (1) A plan of the parcel or parcels sought to be
2 designated that includes a map and description of the
3 contiguous area;
- 4 (2) A description of the artistic or cultural activities,
5 any major artistic or cultural institutions or
6 facilities, and any areas with artistic and cultural
7 activities or production within the proposed district;
8 and
- 9 (3) A description of any proposed artistic or cultural
10 activities, or proposed areas of artistic and cultural
11 activities or production, within the proposed
12 district.
- 13 (c) The advisory committee established pursuant to section
14 9-C shall approve a petition and submit the petition to the
15 foundation for review. The foundation shall review the
16 qualifications of the proposed district to determine whether it
17 meets the criteria of a creative district pursuant to this part.
18 The foundation may certify that the proposed district meets the
19 requirements of a creative district and submit a certificate of
20 approval to the county and the petitioners.



1 (d) The county receiving the certificate of approval of a
 2 creative district shall review the existing or proposed artistic
 3 or cultural activities, or proposed areas of artistic and
 4 cultural activities or production, within the proposed district
 5 for conformance to the county's comprehensive general plan and
 6 zoning ordinance. The county may, after public hearing, approve
 7 the certificate of approval, deny the certification, or request
 8 modifications to the proposed creative district.

9 (e) The term of a creative district designated pursuant to
 10 this section shall be _____ years, and may be extended by the
 11 foundation upon submittal of a petition pursuant to subsection

12 (b).

13 **§9-C Creative district advisory committee.** (a) For each
 14 proposed creative district, the foundation shall establish an
 15 advisory committee, which shall be comprised of:

- 16 (1) A chairperson, who shall be designated by the
 17 chairperson of the commission;
- 18 (2) Three members recognized as being professionally
 19 qualified in the fields of culture and the arts;
 20 provided that two of the members shall be residents of



1 the county in which the proposed district is located;
2 and

3 (3) The planning director of the county in which the
4 proposed district is located or the planning
5 director's designee...

6 (b) The advisory committee shall, within a period of not
7 less than days after the public meeting, act to approve
8 the petition, deny the petition, or modify the petition by
9 imposing conditions to conform it to the spirit of a creative
10 district.

11 §9-D Creative district tax credit. (a) There shall be
12 allowed to each taxpayer that is a creative enterprise within a
13 creative district certified and approved pursuant to section
14 9-B, an income tax credit that shall be deductible from the
15 taxpayer's net income tax liability, if any, imposed by chapter
16 235 for the taxable year in which the credit is properly
17 claimed.

18 (b) The foundation shall certify annually to the
19 department of taxation the applicability of the tax credit
20 provided in this section for a designated creative district.

21 (c) The tax credit shall be:



- 1 (1) per cent of the tax due for the first tax year;
- 2 (2) per cent of the tax due for the second tax year;
- 3 (3) per cent of the tax due for the third year;
- 4 (4) per cent of the tax due for the fourth year; and
- 5 (5) per cent of the tax due for the fifth year.

6 Any tax credit not usable shall be carried forward until
7 exhausted.

8 (d) The tax credit provided for in subsection (c) shall
9 only apply to taxes on the gross proceeds attributable to a
10 designated creative district. Taxpayers shall distinguish
11 between income earned from inside and outside creative
12 districts.

13 **§9-E County incentives.** The county may enact incentives
14 for certified creative districts, which may include:

- 15 (1) Expedited permit processing;
- 16 (2) Real property tax exemptions for creative districts;
- 17 and
- 18 (3) Other incentives."

19 SECTION 3. Section 23-94, Hawaii Revised Statutes, is
20 amended by amending subsection (c) to read as follows:

21 "(c) This section shall apply to the following:



- 1 (1) Section 235-4.5(a)--Exclusion of intangible income
2 earned by a trust sited in this State;
- 3 (2) Section 235-4.5(b)--Exclusion of intangible income of
4 a foreign corporation owned by a trust sited in this
5 State;
- 6 (3) Section 235-4.5(c)--Credit to a resident beneficiary
7 of a trust for income taxes paid by the trust to
8 another state;
- 9 (4) Sections 235-55 and 235-129--Credit for income taxes
10 paid by a resident taxpayer to another jurisdiction;
- 11 (5) Section 235-71(c)--Credit for a regulated investment
12 company shareholder for the capital gains tax paid by
13 the company;
- 14 (6) Section 235-110.6--Credit for fuel taxes paid by a
15 commercial fisher;
- 16 (7) Section 235-110.93--Credit for important agricultural
17 land qualified agricultural cost;
- 18 (8) Section 235-110.94--Credit for organically produced
19 agricultural products;
- 20 (9) Section 235-129(b)--Credit to a shareholder of an S
21 corporation for the shareholder's pro rata share of



1 the tax credit earned by the S corporation in this
2 State; ~~and~~

3 (10) Section 209E-10--Credit for a qualified business in an
4 enterprise zone; provided that the review of this
5 credit pursuant to this part shall be limited in scope
6 to income tax credits ~~[]~~; and

7 (11) Section 9-D--Credit for businesses within a creative
8 district."

9 SECTION 4. The state foundation on culture and the arts,
10 in consultation with the counties and the department of
11 taxation, shall submit an annual report on the designation of
12 creative districts to the legislature no later than twenty days
13 prior to the convening of each regular session. The report
14 shall include:

- 15 (1) The number of requests received for the designation of
16 creative districts;
- 17 (2) The number of districts designated as creative
18 districts; and
- 19 (3) Incentives proposed for the designation of creative
20 districts.



1 SECTION 5. In codifying the new sections added by section
2 2 of this Act, the revisor of statutes shall substitute
3 appropriate section numbers for the letters used in designating
4 the new sections in this Act.

5 SECTION 6. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 7. This Act, upon its approval, shall apply to
8 taxable years beginning after December 31, 2023.



Report Title:

Creative District; Tax Credit; State Foundation on Culture and the Arts; Counties

Description:

Creates a process for the establishment of a creative district.
Establishes a five-year tax credit for creative districts.
Permits counties to enact incentives for creative districts.
Requires the State Foundation on Culture and the Arts to submit an annual report to the Legislature on creative districts.
Applies to taxable years beginning after 12/31/2023. (SD1)

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