
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. The legislature finds that the high cost of
3 housing in Hawaii places an undue burden on renters and
4 contributes to economic inequity. The legislature further finds
5 that incentivizing landlords to offer below-market rental rates
6 can increase the availability of affordable housing.
7 Conversely, discouraging excessive rents through tax policy can
8 help stabilize rental markets.

9 The purpose of this Act is to:

- 10 (1) Establish a tax credit for landlords who charge below-
11 market rent; and
12 (2) Impose an above-market rent tax on landowners who
13 charge above-market rent.

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



1 "§235- Below-market rent tax credit. (a) There shall
2 be allowed to each qualified taxpayer subject to the taxes
3 imposed by this chapter a tax credit that shall be deductible
4 from the taxpayer's net income tax liability, if any, imposed by
5 this chapter for the taxable year in which the credit is
6 properly claimed.

7 (b) The tax credit shall be equal to ten per cent of the
8 annual gross proceeds or gross income received or derived from
9 the leasing of a dwelling unit owned by the qualified taxpayer.

10 (c) To qualify for the tax credit, the qualified taxpayer
11 shall submit to the department of taxation:

12 (1) Proof of the rental agreement, including the amount of
13 rent charged;

14 (2) Certification from the Hawaii housing finance and
15 development corporation that the rent charged for the
16 dwelling unit is at or below eighty per cent of the
17 median market rent; and

18 (3) Any other documentation required by the department.

19 (d) If the tax credit exceeds the qualified taxpayer's net
20 income tax liability, the excess of the credit over liability
21 may be used as a credit against the taxpayer's net income tax



1 liability in subsequent years until exhausted. All claims for
2 the tax credit under this section, including amended claims,
3 shall be filed on or before the end of the twelfth month
4 following the close of the taxable year for which the credits
5 may be claimed. Failure to comply with the foregoing provision
6 shall constitute a waiver of the right to claim the credit.

7 (e) The director of taxation:

8 (1) Shall prepare forms as may be necessary to claim a
9 credit under this section;

10 (2) May require proof of the claim for the tax credit; and

11 (3) May adopt rules pursuant to chapter 91 to effectuate
12 the purposes of this section.

13 (f) As used in this section:

14 "Dwelling unit" has the same meaning as in section 521-8.

15 "Qualified taxpayer" means a taxpayer who is a landlord and
16 who leases a dwelling unit at a rental rate at or below eighty
17 per cent of the median market rent for a comparable dwelling
18 unit in the same geographic area, as determined by the Hawaii
19 housing finance and development corporation annually pursuant to
20 section 201H-_____."



1 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§237- Above-market rent tax. (a) In addition to the
5 tax assessed under section 237-16.5, there is hereby levied, and
6 shall be assessed and collected annually, an additional
7 privilege tax on any landlord who leases a dwelling unit at a
8 rate at or above one hundred twenty per cent of the median
9 market rent for a comparable dwelling unit in the same
10 geographic area, as determined by the Hawaii housing finance and
11 development corporation annually pursuant to section 201H- .

12 (b) The tax under this section shall be calculated as
13 follows:

14 (1) Five per cent of the gross proceeds or gross income
15 received or derived from the leasing of dwelling units
16 at or above one hundred twenty per cent of the median
17 market rent; and

18 (2) For every ten per cent above one hundred twenty per
19 cent of the median market rent, an additional one per
20 cent of the gross annual rental income received or



1 derived from the leasing of dwelling units at or above
2 one hundred twenty per cent of the median market rent.

3 (c) The director shall adopt rules pursuant to chapter 91
4 to effectuate this section, including provisions for enforcement
5 and penalties for failure to comply.

6 (d) As used in this section, dwelling unit" has the same
7 meaning as in section 521-8."

8 PART II

9 SECTION 4. Chapter 201H, Hawaii Revised Statutes, is
10 amended by adding a new section to part I to be appropriately
11 designated and to read as follows:

12 **"§201H- Median market rent; determination; below-market**
13 **tax credit; above-market rent tax.** (a) The corporation shall
14 determine the median market rent for dwelling units by
15 geographic area annually using the most recent available data,
16 including data from the United States Department of Housing and
17 Urban Development and other reliable sources, to determine the
18 below-market tax credit and above-market rent tax, respectively,
19 pursuant to sections 235- and 237- .

20 (b) As used in this section, "dwelling unit" has the same
21 meaning as in section 521-8."



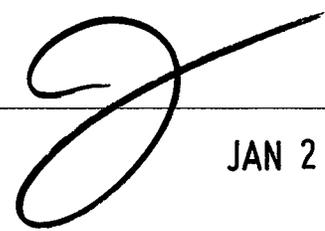
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PART III

SECTION 5. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 6. This Act shall take effect upon its approval; provided that section 2 shall apply to taxable years beginning after December 31, 2024.

INTRODUCED BY:



JAN 22 2025



H.B. NO. 1261

Report Title:

Below-market Rent Tax Credit; Above-market Rent Tax; Department of Taxation; Hawaii Housing Finance and Development Corporation

Description:

Establishes a tax credit for landlords who charge below-market rent and assesses an additional privilege tax on landowners who charge above-market rent, under certain conditions. Requires the Hawaii Housing Finance and Development Corporation to determine median market rent for rental units by geographic area for the purposes of the below-market rent tax credit and above-market rent tax.

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

