

S.B.NO. 1462

JAN 23 2025

A BILL FOR AN ACT

RELATING TO A STATE HISTORIC PRESERVATION INCOME TAX CREDIT.

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

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

4 "§235- Historic preservation income tax credit.

5 (a) Notwithstanding any law to the contrary, there shall be
6 allowed to each taxpayer subject to the tax imposed by this
7 chapter a historic preservation income tax credit for
8 substantial rehabilitation of a certified historic structure,
9 which shall be deductible from the taxpayer's net income tax
10 liability, if any, imposed by this chapter for the taxable year
11 in which the tax credit is properly claimed.

12 (b) In the case of a partnership, S corporation, estate,
13 trust, or any developer of a rehabilitated certified historic
14 structure, the tax credit allowable shall be as provided under
15 subsection (d) for the taxable year. The cost upon which the
16 credit is computed shall be determined at the entity level and
17 the distribution and share of the tax credit shall be determined
18 pursuant to section 704(b) of the Internal Revenue Code.

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1 If a deduction is taken under section 179 (with respect to
2 election to expense depreciable business assets) of the Internal
3 Revenue Code, no tax credit shall be allowed for that portion of
4 the qualified expense for which the deduction is taken.

5 The basis of eligible property for depreciation or
6 accelerated cost recovery system purposes for state income taxes
7 shall be reduced by the amount of credit allowable and
8 claimed. In the alternative, the taxpayer shall treat the
9 amount of the credit allowable and claimed as a taxable income
10 item for the taxable year in which it is properly recognized
11 under the method of accounting used to compute taxable income.

12 (c) The amount of a historic preservation income tax
13 credit that is certified by qualified staff of the state
14 historic preservation division of the department of land and
15 natural resources shall be thirty per cent of the qualified
16 rehabilitation expenditures.

17 (d) The tax credit allowed under this section shall be
18 available in the taxable year in which the substantially
19 rehabilitated certified historic structure is placed into
20 service. In the case of projects completed in phases, the tax
21 credit shall be prorated to the substantially rehabilitated

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1 identifiable portion of the certified historic structure placed
2 into service during that taxable year.

3 (e) If the tax credit under this section exceeds the
4 taxpayer's income tax liability, the excess of the credit over
5 liability may be used as a credit against the taxpayer's income
6 tax liability in subsequent years until either the credit is
7 exhausted, or for a period of ten years, whichever is earlier.

8 All claims for the tax credit under this section, including
9 amended claims, shall be filed on or before the end of the
10 twelfth month following the close of the taxable year for which
11 the credit may be claimed. Failure to comply with the foregoing
12 provision shall constitute a waiver of the right to claim the
13 credit.

14 (f) The department of land and natural resources shall
15 adopt rules pursuant to chapter 91 establishing standards and
16 criteria for the approval of rehabilitation of certified
17 historic structures for which the tax credit under this section
18 is sought. These standards and criteria shall take into account
19 whether the rehabilitation of a certified historic structure
20 will preserve the historic character of the building.

21 (g) Following the completion of rehabilitation of a
22 certified historic structure:

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1 (1) The taxpayer shall notify the state historic
2 preservation division that the rehabilitation has been
3 completed and shall provide the state historic
4 preservation division with documentation and
5 certification of the costs incurred in rehabilitating
6 the historic structure;

7 (2) Qualified staff of the state historic preservation
8 division shall review the rehabilitation and verify
9 the rehabilitation project's compliance with the
10 rehabilitation plan;

11 (3) Upon each determination made under this subsection,
12 the state historic preservation division shall issue a
13 certificate to the taxpayer verifying that the
14 rehabilitation has been completed in accordance with
15 the approved rehabilitation plan; and

16 (4) The taxpayer shall file the certificate with the
17 taxpayer's tax return with the department.

18 The department of land and natural resources may offset the
19 costs of certifying tax credit claims under this section by
20 assessing and collecting a fee, which shall be deposited into
21 the Hawaii historic preservation special fund established under
22 section 6E-16.

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1 (h) The director shall prepare any forms that may be
2 necessary to claim the tax credit under this section. The
3 director may also require the taxpayer to furnish reasonable
4 information to ascertain the validity of the claim for credit
5 made under this section and may adopt rules necessary to
6 effectuate the purposes of this section pursuant to chapter 91.

7 (i) The aggregate amount of the tax credits claimed for
8 qualified rehabilitation projects shall not exceed:

- 9 (1) \$1,000,000 for the 2025 taxable year;
- 10 (2) \$1,000,000 for the 2026 taxable year;
- 11 (3) \$1,000,000 for the 2027 taxable year;
- 12 (4) \$1,000,000 for the 2028 taxable year;
- 13 (5) \$1,000,000 for the 2029 taxable year; and
- 14 (6) \$1,000,000 for the 2030 taxable year.

15 (j) Each taxpayer claiming a tax credit under this
16 section, no later than the last day of the twelfth month
17 following the close of the taxable year in which qualified costs
18 were expended, shall submit a written, certified statement to
19 the state historic preservation division containing the
20 qualified rehabilitation expenditures incurred by the taxpayer
21 and any other information the state historic preservation
22 division or the department may require.

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1 Any taxpayer failing to submit information to the state
2 historic preservation division in a manner prescribed by the
3 department of land and natural resources or the department, or
4 both, prior to the last day of the twelfth month following the
5 close of the tax year in which qualified costs were expended
6 shall not be eligible to receive the tax credit for those
7 expenses, and any credit already claimed for that taxable year
8 shall be recaptured in total. The amount of the recaptured tax
9 credit shall be added to the taxpayer's tax liability for the
10 taxable year in which the recapture occurs.

11 All information in the statement submitted under this
12 section shall be a public document, except for information that
13 is otherwise exempt from public disclosure in accordance with
14 chapter 92F.

15 (k) Recapture of a previously claimed tax credit shall be
16 required from any taxpayer who received a credit under this
17 section if any of the following occur:

18 (1) The projected qualified expenditures do not
19 materialize; or

20 (2) The rehabilitation of the certified historic structure
21 does not proceed in a timely manner and in accordance
22 with the approved rehabilitation plan.

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1 Any credit under this section shall be recaptured following
2 the close of the taxable year for which the credit is claimed if
3 the department of land and natural resources notifies the
4 department that the taxpayer has failed to comply with this
5 section or rules adopted thereunder.

6 (1) The state historic preservation division, in
7 consultation with the department, shall determine the
8 information necessary to enable a quantitative and qualitative
9 assessment of the outcomes of the tax credit and submit a report
10 to the legislature evaluating the effectiveness of the tax
11 credit no later than twenty days prior to the convening of each
12 regular legislative session. The report shall include findings
13 and recommendations to improve the effectiveness of the tax
14 credit in order to further encourage the rehabilitation of
15 historic properties.

16 (m) For the purposes of this section:

17 "Certified historic structure" means any structure that is:

18 (1) Individually listed in the Hawaii register of historic
19 places or the national register of historic places;

20 (2) Located in a historic district that is listed in the
21 Hawaii register of historic places or the national
22 register of historic places, and certified by the

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1 state historic preservation division as contributing
2 to the significance of the historic district; or
3 (3) A structure that the state historic preservation
4 division has determined to be eligible for inclusion
5 in the Hawaii register of historic places, and that is
6 subsequently listed in the Hawaii register of historic
7 places by the date of certification by the
8 administrator of the state historic preservation
9 division in accordance with subsection (g).

10 "Qualified rehabilitation expenditures" means any costs
11 incurred for the physical rehabilitation, renovation, or
12 construction of a certified historic structure pursuant to a
13 rehabilitation plan; provided that the term shall not include
14 the taxpayer's personal labor.

15 "Qualified staff" means a staff person meeting the
16 Secretary of the Interior's Historic Preservation Professional
17 Qualification Standards for an architectural historian or
18 historic architect.

19 "Rehabilitation plan" means any construction plans and
20 specifications for the proposed rehabilitation of a historic
21 structure in sufficient detail for evaluation of compliance with

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1 the rules adopted by the department of land and natural
2 resources.

3 "Substantial rehabilitation" means that the qualified
4 rehabilitation expenditures on a certified historic structure
5 exceed twenty-five per cent of the assessed value of the
6 structure."

7 SECTION 2. New statutory material is underscored.

8 SECTION 3. This Act, upon its approval, shall apply to
9 taxable years beginning after December 31, 2024, and shall be
10 repealed on December 31, 2030.

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INTRODUCED BY: 

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BY REQUEST

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Report Title:

Department of Land and Natural Resources; State Historic Preservation Division; Tax Credit

Description:

Reenacts the Historic Preservation Income Tax Credit, establishes a cap of the tax credit at \$1,000,000, for taxable year 2025 to taxable year 2030, respectively, and repeals the tax credit on December 31, 2030.

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

JUSTIFICATION SHEET

DEPARTMENT: Land and Natural Resources

TITLE: A BILL FOR AN ACT RELATING TO A STATE HISTORIC PRESERVATION INCOME TAX CREDIT.

PURPOSE: To reenact the Historic Preservation Income Tax Credit; establish a cap on the tax credit at \$1,000,000 for taxable year 2025 to taxable year 2030, respectively; and repeal the tax credit on December 31, 2030.

MEANS: Add a new section to part IV of chapter 235, Hawaii Revise Statutes.

JUSTIFICATION: The Historic Preservation Income Tax Credit, established under Act 267, Sessions Laws of Hawaii 2019, provided property owners in the State economic support and incentive to continue to rehabilitate, adaptively reuse, and preserve historic buildings and residences. The tax credit was repealed on December 31, 2024.

The Historic Preservation Income Tax Credit helped preserve the historic character of neighborhoods and communities. The tax credit has been used by older and lower income homeowners to facilitate rehabilitation that would otherwise likely not be undertaken due to exorbitant construction costs. As a result, these homeowners are allowed to remain in their homes while maintaining and preserving the historic character of the homes.

This bill seeks to reestablish the Historic Preservation Income Tax Credit for substantial rehabilitation of certified historic structures. The tax credit will be repealed on December 31, 2030.

Impact on the public: This bill will provide the public with a financial benefit and incentive for rehabilitating existing and underutilized buildings while preserving

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historic resources and Hawaii's history. This bill will also assist older and low-income homeowners in rehabilitating and remaining in their homes.

Impact on the department and other agencies:
This bill provides the Department with a valuable tool and incentive to promote investment and economic development in the State by maintaining historic buildings.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: LNR 802.

OTHER AFFECTED
AGENCIES: Department of Taxation.

EFFECTIVE DATE: Upon approval.