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# 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 a new section to part VI to be appropriately  
3 designated and to read as follows:  
4       "§235-       Historic preservation income tax credit. (a)  
5 Notwithstanding any law to the contrary, there shall be allowed  
6 to each taxpayer subject to the tax imposed by this chapter a  
7 historic preservation income tax credit for substantial  
8 rehabilitation of a certified historic structure, which shall be  
9 deductible from the taxpayer's net income tax liability, if any,  
10 imposed by this chapter for the taxable year in which the tax  
11 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



1 the distribution and share of the tax credit shall be determined  
2 pursuant to section 704(b) of the Internal Revenue Code.

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

7 The basis of eligible property for depreciation or  
8 accelerated cost recovery system purposes for state income taxes  
9 shall be reduced by the amount of credit allowable and claimed.

10 In the alternative, the taxpayer shall treat the amount of the  
11 credit allowable and claimed as a taxable income item for the  
12 taxable year in which it is properly recognized under the method  
13 of accounting used to compute taxable income.

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

19 (d) The tax credit allowed under this section shall be  
20 available in the taxable year in which the substantially  
21 rehabilitated certified historic structure is placed into



1 service. In the case of projects completed in phases, the tax  
2 credit shall be prorated to the substantially rehabilitated  
3 identifiable portion of the certified historic structure placed  
4 into service during that taxable year.

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

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

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



1 whether the rehabilitation of a certified historic structure  
2 will preserve the historic character of the building.

3 (g) Following the completion of rehabilitation of a  
4 certified historic structure:

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

11 (2) Qualified staff of the state historic preservation  
12 division shall review the rehabilitation and verify  
13 the rehabilitation project's compliance with the  
14 rehabilitation plan;

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

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



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

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

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

(1) \$ for the 2025 taxable year;

(2) \$ for the 2026 taxable year;

(3) \$ for the 2027 taxable year;

(4) \$ for the 2028 taxable year;

(5) \$ for the 2029 taxable year; and

(6) \$ for the 2030 taxable year.

(j) No later than the last day of the twelfth month following the close of the taxable year in which qualified



1 rehabilitation expenditures were expended, each taxpayer  
2 claiming a tax credit under this section shall submit a written,  
3 certified statement to the state historic preservation division  
4 containing the qualified rehabilitation expenditures incurred by  
5 the taxpayer and any other information the state historic  
6 preservation division or the department may require.

7 Any taxpayer who fails to submit a statement to the state  
8 historic preservation division in a manner prescribed by the  
9 department of land and natural resources or the department, or  
10 both, prior to the last day of the twelfth month following the  
11 close of the tax year in which qualified costs were expended  
12 shall not be eligible to receive the tax credit for those  
13 expenses, and any credit already claimed for that taxable year  
14 shall be recaptured in total. The amount of the recaptured tax  
15 credit shall be added to the taxpayer's tax liability for the  
16 taxable year in which the recapture occurs.

17 All information in the statement submitted pursuant to this  
18 subsection shall be a public document, except for information  
19 that is otherwise exempt from public disclosure in accordance  
20 with chapter 92F.



1        (k) Recapture of a previously claimed tax credit shall be  
2 required from any taxpayer who received a credit under this  
3 section if any of the following occurs:

4        (1) The projected qualified expenditures do not  
5 materialize; or

6        (2) The rehabilitation of the certified historic structure  
7 does not proceed in a timely manner and in accordance  
8 with the approved rehabilitation plan.

9        Any credit under this section shall be recaptured following  
10 the close of the taxable year for which the credit is claimed if  
11 the department of land and natural resources notifies the  
12 department that the taxpayer has failed to comply with this  
13 section or rules adopted thereunder.

14        (1) The state historic preservation division, in  
15 consultation with the department, shall determine the  
16 information necessary to enable a quantitative and qualitative  
17 assessment of the outcomes of the tax credit and submit a report  
18 to the legislature evaluating the effectiveness of the tax  
19 credit no later than twenty days prior to the convening of each  
20 regular legislative session. The report shall include findings  
21 and recommendations to improve the effectiveness of the tax



1 credit in order to further encourage the rehabilitation of  
2 historic properties.

3 (m) For the purposes of this section:

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

5 (1) Individually listed in the Hawaii register of historic  
6 places or the national register of historic places;

7 (2) Located in a historic district that is listed in the  
8 Hawaii register of historic places or the national  
9 register of historic places, and certified by the  
10 state historic preservation division as contributing

11 to the significance of the historic district; or

12 (3) A structure that the state historic preservation  
13 division has determined to be eligible for inclusion  
14 in the Hawaii register of historic places, and that is  
15 subsequently listed in the Hawaii register of historic  
16 places by the date of certification by the  
17 administrator of the state historic preservation  
18 division in accordance with subsection (g).

19 "Qualified rehabilitation expenditures" means any costs  
20 incurred for the physical rehabilitation, renovation, or  
21 construction of a certified historic structure pursuant to a





1 rehabilitation plan; provided that the term shall not include  
2 the taxpayer's personal labor.

3 "Qualified staff" means a staff person meeting the  
4 Secretary of the Interior's Historic Preservation Professional  
5 Qualification Standards for an architectural historian or  
6 historic architect.

7 "Rehabilitation plan" means any construction plans and  
8 specifications for the proposed rehabilitation of a historic  
9 structure in sufficient detail for evaluation of compliance with  
10 the rules adopted by the department of land and natural  
11 resources.

12 "Substantial rehabilitation" means that the qualified  
13 rehabilitation expenditures on a certified historic structure  
14 exceed twenty-five per cent of the assessed value of the  
15 structure."

16 SECTION 2. New statutory material is underscored.

17 SECTION 3. This Act shall take effect on July 1, 3000,  
18 shall apply to taxable years beginning after December 31, 2024,  
19 and shall be repealed on December 31, 2030.



**Report Title:**

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

**Description:**

Reestablishes the Historic Preservation Income Tax Credit.  
Establishes a cap of the tax credit for each taxable year from  
2025 to 2030. Sunsets 12/31/2030. Effective 7/1/3000. (HD1)

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not legislation or evidence of legislative intent.*

