
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. (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. A
17 credit under this section may be allocated by a partnership or



1 limited liability company in any manner agreed to by the
2 partners or members regardless of whether the individual or
3 entity to receive the credit is deemed to be a partner or member
4 for federal income tax purposes, so long as the individual or
5 entity is deemed to be a partner or member pursuant to
6 applicable state law. The credit may be claimed whether or not
7 the taxpayer is eligible to be allocated a rehabilitation credit
8 pursuant to section 47 of the Internal Revenue Code.

9 If a deduction is taken under section 179 (with respect to
10 election to expense certain depreciable business assets) of the
11 Internal Revenue Code, no tax credit shall be allowed for that
12 portion of the qualified expense for which the deduction is
13 taken.

14 The basis of eligible property for depreciation or
15 accelerated cost recovery system purposes for state income taxes
16 shall be reduced by the amount of credit allowable and claimed.
17 In the alternative, the taxpayer shall treat the amount of the
18 credit allowable and claimed as a taxable income item for the
19 taxable year in which it is properly recognized under the method
20 of accounting used to compute taxable income.



1 (c) The amount of a historic preservation income tax
2 credit that is certified by qualified staff of the state
3 historic preservation division of the department of land and
4 natural resources shall be thirty per cent of the qualified
5 rehabilitation expenditures.

6 (d) The tax credit allowed under this section shall be
7 available in the taxable year in which the substantially
8 rehabilitated certified historic structure is placed into
9 service. In the case of projects completed in phases, the tax
10 credit shall be prorated to the substantially rehabilitated
11 identifiable portion of the certified historic structure placed
12 into service during that taxable year.

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

18 All claims for the tax credit under this section, including
19 amended claims, shall be filed on or before the end of the
20 twelfth month following the close of the taxable year for which
21 the credit may be claimed. Failure to comply with the foregoing



1 provision shall constitute a waiver of the right to claim the
2 credit.

3 (f) The department of land and natural resources shall
4 adopt rules pursuant to chapter 91 establishing standards and
5 criteria for the approval of rehabilitation of certified
6 historic structures for which the tax credit under this section
7 is sought. These standards and criteria shall take into account
8 whether the rehabilitation of a certified historic structure
9 will preserve the historic character of the building.

10 (g) Following the completion of rehabilitation of a
11 certified historic structure:

12 (1) The taxpayer shall notify the state historic
13 preservation division that the rehabilitation has been
14 completed and shall provide the state historic
15 preservation division with documentation and
16 certification of the costs incurred in rehabilitating
17 the historic structure;

18 (2) Qualified staff of the state historic preservation
19 division shall review the rehabilitation and verify
20 the rehabilitation project's compliance with the
21 rehabilitation plan;



1 (3) Upon each determination made under this subsection,
2 the state historic preservation division shall issue a
3 certificate to the taxpayer verifying that the
4 rehabilitation has been completed in accordance with
5 the approved rehabilitation plan; and

6 (4) The taxpayer shall file the certificate with the
7 taxpayer's tax return with the department of taxation.

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

13 (h) The director of taxation:

14 (1) Shall prepare any forms that may be necessary to claim
15 the tax credit under this section;

16 (2) May require the taxpayer to furnish reasonable
17 information to ascertain the validity of the claim for
18 credit made under this section; and

19 (3) May adopt rules pursuant to chapter 91 necessary to
20 effectuate the purposes of this section.



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

3 (1) \$1,000,000 for the 2025 taxable year;

4 (2) \$1,000,000 for the 2026 taxable year;

5 (3) \$1,000,000 for the 2027 taxable year;

6 (4) \$1,000,000 for the 2028 taxable year;

7 (5) \$1,000,000 for the 2029 taxable year; and

8 (6) \$1,000,000 for the 2030 taxable year.

9 (j) No later than the last day of the twelfth month
10 following the close of the taxable year in which qualified costs
11 were expended, each taxpayer claiming a tax credit under this
12 section, shall submit a written, certified statement to the
13 state historic preservation division containing the qualified
14 rehabilitation expenditures incurred by the taxpayer and any
15 other information the state historic preservation division or
16 department of taxation may require.

17 Any taxpayer failing to submit information to the state
18 historic preservation division in a manner prescribed by the
19 department of land and natural resources prior to the last day
20 of the twelfth month following the close of the tax year in
21 which qualified costs were expended shall not be eligible to



1 receive the tax credit for those expenses, and any credit
2 already claimed for that taxable year shall be recaptured in
3 total. The amount of the recaptured tax credit shall be added
4 to the taxpayer's tax liability for the taxable year in which
5 the recapture occurs.

6 All information in the statement submitted under this
7 section shall be a public document, except for information that
8 is otherwise exempt from public disclosure in accordance with
9 chapter 92F.

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

13 (1) The projected qualified expenditures do not
14 materialize; or

15 (2) The rehabilitation of the certified historic structure
16 does not proceed in a timely manner and in accordance
17 with the approved rehabilitation plan.

18 Any credit under this section shall be recaptured following
19 the close of the taxable year for which the credit is claimed if
20 the department of land and natural resources notifies the



1 department of taxation that the taxpayer has failed to comply
2 with this section or rules adopted thereunder.

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

13 (m) For the purposes of this section:

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

15 (1) Individually listed in the Hawaii register of historic
16 places or the national register of historic places;

17 (2) Located in a historic district that is listed in the
18 Hawaii register of historic places or the national
19 register of historic places, and certified by the
20 state historic preservation division as contributing
21 to the significance of the historic district; or



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

8 "Qualified rehabilitation expenditures" means any costs
9 incurred by a taxpayer for the physical rehabilitation,
10 renovation, or construction of a certified historic structure
11 pursuant to a rehabilitation plan. "Qualified rehabilitation
12 expenditures" does not include the taxpayer's personal labor.

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

17 "Rehabilitation plan" means any construction plans and
18 specifications for the proposed rehabilitation of a historic
19 structure in sufficient detail for evaluation of compliance with
20 the rules adopted by the department of land and natural
21 resources.



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

5 SECTION 2. New statutory material is underscored.

6 SECTION 3. This Act shall take effect on July 1, 3000, and
7 shall:

8 (1) Apply to taxable years beginning after December 31,
9 2024; and

10 (2) Be repealed on December 31, 2030.



Report Title:

DOTAX; DLNR; State Historic Preservation Division; Historic
Preservation Income Tax Credit

Description:

Reenacts the Historic Preservation Income Tax Credit.
Establishes an annual cap amount on the tax credit of
\$1,000,000. Effective 7/1/3000. Sunsets 12/31/2030. (HD1)

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not legislation or evidence of legislative intent.*

