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# A BILL FOR AN ACT

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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 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 certain depreciable business assets) of the  
5 Internal Revenue Code, no tax credit shall be allowed for that  
6 portion of the qualified expense for which the deduction is  
7 taken.

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

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

20 (d) The tax credit allowed under this section shall be  
21 available in the taxable year in which the substantially



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

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

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

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



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

6        (h) The director of taxation:

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

9        (2) May require the taxpayer to furnish reasonable  
10 information to ascertain the validity of the claim for  
11 credit made under this section; and

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

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

16        (1) \$1,000,000 for the 2025 taxable year;

17        (2) \$1,000,000 for the 2026 taxable year;

18        (3) \$1,000,000 for the 2027 taxable year;

19        (4) \$1,000,000 for the 2028 taxable year;

20        (5) \$1,000,000 for the 2029 taxable year; and

21        (6) \$1,000,000 for the 2030 taxable year.



1        (j) Each taxpayer claiming a tax credit under this  
2   section, no later than the last day of the twelfth month  
3   following the close of the taxable year in which qualified costs  
4   were expended, shall submit a written, certified statement to  
5   the state historic preservation division containing the  
6   qualified rehabilitation expenditures incurred by the taxpayer  
7   and any other information the state historic preservation  
8   division or department of taxation may require.

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

19        All information in the statement submitted under this  
20   section shall be a public document, except for information that



1 is otherwise exempt from public disclosure in accordance with  
2 chapter 92F.

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

6 (1) The projected qualified expenditures do not  
7 materialize; or

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

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

16 (1) The state historic preservation division, in  
17 consultation with the department of taxation, shall determine  
18 the information necessary to enable a quantitative and  
19 qualitative assessment of the outcomes of the tax credit and  
20 submit a report to the legislature evaluating the effectiveness  
21 of the tax credit no later than twenty days prior to the



1 convening of each regular legislative session. The report shall  
2 include findings and recommendations to improve the  
3 effectiveness of the tax credit in order to further encourage  
4 the rehabilitation of historic properties.

5 (m) For the purposes of this section:

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

7 (1) Individually listed in the Hawaii register of historic  
8 places or the national register of historic places;

9 (2) Located in a historic district that is listed in the  
10 Hawaii register of historic places or the national  
11 register of historic places, and certified by the  
12 state historic preservation division as contributing  
13 to the significance of the historic district; or

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





1       "Qualified rehabilitation expenditures" means any costs  
2 incurred for the physical rehabilitation, renovation, or  
3 construction of a certified historic structure pursuant to a  
4 rehabilitation plan; provided that the term shall not include  
5 the taxpayer's personal labor.

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

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

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

19       SECTION 2. New statutory material is underscored.

20       SECTION 3. This Act shall take effect on July 1, 2050, and  
21 shall:



- 1 (1) Apply to taxable years beginning after December 31,
- 2 2024; and
- 3 (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 7/1/2050. Sunsets 12/31/2030. (SD1)

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not legislation or evidence of legislative intent.*

