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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. In 2009, the legislature adopted senate  
2 concurrent resolution no. 132, S.D. 1, which established the  
3 construction industry task force (task force) to determine the  
4 economic value of the construction industry in Hawaii. As  
5 directed in the concurrent resolution, the task force was  
6 charged with developing a series of recommendations to stimulate  
7 the construction industry and create new jobs in the local  
8 construction industry. Unfortunately, to date, many of the task  
9 force's recommendations have yet to be enacted by the  
10 legislature. The intent of this Act is to enact and implement  
11 one of the recommendations of the task force in an effort to  
12 support the local construction industry.

13           Accordingly, the purpose of this Act is to establish a  
14 refundable state income tax credit to qualified taxpayers that  
15 purchase a newly constructed qualified principal residence on or  
16 after April 1, 2014, and before January 1, 2016.



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

4 "§235- Ohana residential housing income tax credit. (a)  
5 There shall be allowed to each qualified taxpayer subject to the  
6 tax imposed by this chapter an ohana residential housing income  
7 tax credit that shall be deductible from the taxpayer's net  
8 income tax liability, if any, imposed by this chapter for the  
9 taxable year in which the credit is properly claimed.

10 (b) For purposes of this section:

11 "Purchase price" means all direct and indirect costs  
12 associated with the purchase of a qualified principal residence,  
13 excluding land acquisition costs and escrow closing costs.

14 "Qualified principal residence" means a dwelling or  
15 residential unit that:

- 16 (1) Is located in the State;  
17 (2) Did not previously exist and has been constructed from  
18 the ground up;  
19 (3) Received a certificate of completion on or after  
20 April, 1, 2014;  
21 (4) Is occupied by the owner as the owner's primary  
22 residence for no less than two hundred seventy days



1           per calendar year in each of two consecutive calendar  
2           years immediately following the calendar year in which  
3           the closing of escrow was executed; and

4           (5) Is eligible for a county homeowner's exemption.

5    A "qualified principal residence" includes a single family home,  
6    duplex, condominium, manufactured home, or townhouse.

7           "Qualified taxpayer" means an individual that signs a  
8    binding contract to purchase a qualified principal residence on  
9    or after April 1, 2014, and before January 1, 2016; provided  
10   that the individual closes escrow on the purchase of the  
11   qualified principal residence on or after April 1, 2014, and  
12   before March 1, 2016.

13           (c) The amount of the tax credit shall be equal to the  
14   lesser of:

15           (1) Two per cent of the purchase price of the qualified  
16           principal residence; or

17           (2) \$6,000;

18    provided that the tax credit shall be payable in two equal  
19    installments over two consecutive taxable years beginning with  
20    the taxable year in which the binding contract to purchase the  
21    qualified principal residence is signed; provided further that  
22    if more than one qualified taxpayer is claiming the tax credit



1 under this section, then the applicable tax credit shall be  
2 divided equally between each qualified taxpayer. For purposes  
3 of this subsection, a married couple or a couple in a civil  
4 union is considered to be one qualified taxpayer.

5 (d) If the tax credit under this section exceeds the  
6 taxpayer's net income tax liability, the excess of credit over  
7 liability shall be refunded to the taxpayer; provided that no  
8 refunds or payment on account of the tax credit under this  
9 section shall be made for amounts less than \$1. All claims for  
10 a tax credit under this section, including amended claims, shall  
11 be filed on or before the end of the twelfth month following the  
12 close of the taxable year for which the tax credit may be  
13 claimed. Failure to comply with the foregoing provision shall  
14 constitute a waiver of the right to claim the tax credit.

15 (e) The tax credit under this section is limited to  
16 qualified principal residences with a purchase price of \$625,000  
17 or less.

18 (f) Each qualified taxpayer that is taking title to the  
19 qualified principal residence shall meet the following adjusted  
20 gross income limitations in order for any of the taxpayers that  
21 are taking title to the qualified principal residence to be  
22 eligible to claim the tax credit under this section:



1       (1) An individual with adjusted gross income of \$75,000 or  
2       less;

3       (2) A married couple or a couple in a civil union with an  
4       adjusted gross income of \$150,000 or less; and

5       (3) A grantor of any trust with adjusted gross income of  
6       \$75,000 or less.

7       (g) If a qualified taxpayer sells or no longer resides in  
8       the qualified principal residence within seven hundred thirty  
9       days after closing escrow on the qualified principal residence,  
10      then the taxpayer shall be subject to recapture of the  
11      previously claimed credit under this section on a pro-rata  
12      basis.

13      (h) The director of taxation shall prepare any forms that  
14      may be necessary to claim a credit under this section. The  
15      director may also require the taxpayer to furnish information to  
16      ascertain the validity of the claim for the tax credit made  
17      under this section and may adopt rules, pursuant to chapter 91,  
18      necessary to effectuate the purposes of this section."

19      SECTION 3. New statutory material is underscored.

20      SECTION 4. This Act, upon its approval, shall apply to

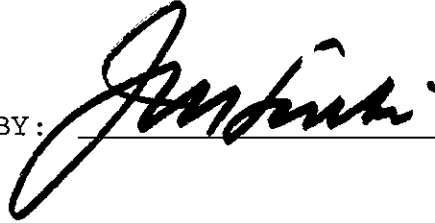
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1 taxable years beginning after December 31, 2013.

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INTRODUCED BY: \_\_\_\_\_



By Request

JAN 10 2014



# H.B. NO. 1592

**Report Title:**

Tax Credit; Residential Housing; New Construction; Construction Industry Task Force

**Description:**

Establishes a refundable ohana residential housing income tax credit for qualified taxpayers that purchase a qualified principal residence on or after April 1, 2014, and before January 1, 2016, that is payable to the qualified taxpayer in two equal installments over the immediately following two taxable years.

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

