

REPORT TO THE THIRTY-THIRD LEGISLATURE
2025 REGULAR SESSION
ON
THE STATE HISTORIC PRESERVATION INCOME TAX CREDIT
FOR FISCAL YEAR 2023-2024



PREPARED BY:

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
IN RESPONSE TO
SECTION 235-110-97(1), HAWAII REVISED STATUTES

HONOLULU, HAWAII
DECEMBER 2024

THE STATE HISTORIC PRESERVATION INCOME TAX CREDIT FOR FISCAL YEAR 2023-2024

BACKGROUND

Chapter 235, Hawaii Revised Statutes, was amended by Act 267, Session Laws of Hawaii 2019, adding a new section to be appropriately designated as “§235-Historic preservation income tax credit...” to allow to each taxpayer subject to the tax imposed by this chapter a historic preservation income tax credit for substantial rehabilitation of a certified historic structure that shall be deductible from the taxpayers’ net income tax liability, if any, imposed by this chapter for the taxable year in which the tax credit is properly claimed.

ACCOMPLISHMENTS

During Fiscal Year (FY) 2023-2024, one project was completed, and seven additional projects were started but have not yet been completed. The one completed project was a rehabilitation of a single-family residential dwelling near Diamond Head. The approved qualifying rehabilitation expenses for the project totaled \$633,924.16 of the \$1,000,000 cap imposed by statute on the total credit for any individual tax credit. The seven projects still underway will likely not be completed by December 31, 2024—when the State Historic Preservation Tax Credit sunsets unless reauthorized. Of the seven projects that were started within FY 2023-2024, four were rehabilitation projects for single-family residential dwellings on Oahu, two were for commercial properties on Oahu, and one was for a mixed-use commercial/hospitality property on Kauai.

The State Historic Preservation Division also reviewed a federal historic preservation tax credit project for the Hocking Building in Chinatown, which adaptively reused a two-story commercial building to allow for affordable housing units. Though this project is eligible for \$3.6 million in federal historic preservation tax credits, the project proponent does not intend to apply for state historic preservation credits. Had they applied, they would have been eligible for \$5.4 million in state historic preservation tax credits—which would have met or exceeded the cap for every taxable year from 2023-2028.

FUTURE PROGRAMS

For FY 25, SHPD is seeking to reauthorize the State Historic Preservation Tax Credit through 2030 and maintain the aggregate amount of tax credits claimed for qualified rehabilitation projects at \$1,000,000 from 2025 through 2030.