

JAN 25 2006

A BILL FOR AN ACT

RELATING TO INCOME TAX DEDUCTIONS.

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

1 SECTION 1. The purpose of this Act is to establish an
2 income tax deduction for owners of single-family residences and
3 owner-occupants of residential condominium or cooperative
4 housing units for qualifying costs of automatic fire sprinkler
5 systems installed and placed into service after December 31,
6 2006.

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

10 "§235- Automatic fire sprinkler system; income tax
11 credit. (a) There shall be allowed as a deduction from gross
12 income the amount paid during the taxable year by an individual
13 taxpayer or a married couple filing a joint return for
14 qualifying costs to install an automatic sprinkler system in
15 their single-family residence, or by an association of apartment
16 owners of a residential or mixed use condominium or the
17 cooperative housing corporation of a residential cooperative
18 housing portion for that portion of maintenance fees allocable



1 to qualifying costs to install an automatic fire sprinkler
2 system in their residential unit and building, provided that the
3 individual taxpayer or married couple filing a joint return are
4 owner-occupants of the single-family residence or a residential
5 unit in a condominium or cooperative housing project.

6 (b) The deduction shall be equal to the qualifying costs
7 of the automatic fire sprinkler system; provided that:

8 (1) The automatic fire sprinkler system is placed into
9 service by a taxpayer after December 31, 2006; and

10 (2) The amount of the deduction for an owner-occupant of a
11 single-family residence shall not exceed \$5,000.

12 (c) For the purposes of this section:

13 "Automatic fire sprinkler system" means an integrated
14 system of underground and overhead piping designed in accordance
15 with fire protection engineering standards. The portion of the
16 sprinkler system above ground is a network of specially sized or
17 hydraulically designed piping installed in a building, a
18 structure, or area, generally overhead and to which sprinklers
19 are connected in a systematic pattern. The valve controlling
20 each system riser is located in the system riser or its supply
21 piping. Each sprinkler system riser includes a device for
22 activating an alarm when the system is in operation. The device

1 is normally activated by heat from a fire and discharges water
2 over the fire area.

3 "Qualifying costs" means costs incurred in purchasing or
4 otherwise acquiring and installing an automatic fire sprinkler
5 system, including accessories and installation, for use in any
6 residential unit of a condominium or cooperative housing project
7 built before 1978.

8 (d) The director of taxation shall:

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

12 (2) Adopt rules necessary to effectuate the purposes of
13 this section pursuant to chapter 91."

14 SECTION 3. The department of taxation shall determine the
15 estimated amount of tax credits that may be claimed and the
16 estimated amount of state tax revenue that may be lost as a
17 result of the tax credit and shall report its findings to the
18 legislature no later than twenty days prior to the convening of
19 the regular session of 2007.

20 SECTION 4. New statutory material is underscored.



1 SECTION 5. This Act shall take effect upon its approval
2 and shall apply to taxable years beginning after December 31,
3 2006.

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INTRODUCED BY:

Jim Mann

Norman Sakamoto

Will Siew

Therese Chun Oakland

Randy H Baker

Yudhanjy



SB. NO. 3069

Report Title:

Income Tax Deduction; Automatic Fire Sprinkler System

Description:

Provides an income tax deduction for qualifying costs of automatic fire sprinkler systems installed and placed into service after December 31, 2006.

