

STAND. COM. REP. NO. 1272

Honolulu, Hawaii

March 16, 2007

RE: S.B. No. 1962
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Human Services & Housing, to which was referred S.B. No. 1962, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to increase fire safety by providing a tax deduction to owner-occupants for the installation of an automatic fire sprinkler system in a residential or mixed-use condominium constructed before December 31, 1975.

The Department of Taxation (DOTAX) opposed this bill. The Tax Foundation of Hawaii provided comments.

DOTAX noted several concerns, including that owner-occupants may take advantage of the deduction simply by living in the unit for a short period of time and that the definition of "qualifying costs" should be more specific. DOTAX also expressed concerns of possible collusion to inflate costs so a greater deduction can be claimed.

The Tax Foundation of Hawaii expressed concerns that there is no relationship between the cost of automatic fire sprinkler systems and a taxpayer's tax burden.

SB1962 HD1 HSCR HSH HMS 2007-3170



Accordingly, your Committee has amended this bill by:

- (1) Allowing renters to claim the deduction;
- (2) Requiring owner-occupants to occupy the unit for a minimum time period to be eligible for the deduction;
and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Human Services & Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1962, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1962, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Human Services &
Housing,



MAILE SHIMABUKURO, Chair



