

Honolulu, Hawaii

FEB 04 2008

RE: S.B. No. 2722
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 2722 entitled:

"A BILL FOR AN ACT RELATING TO A FIRE SPRINKLER TAX
DEDUCTION, "

begs leave to report as follows:

The purpose of this measure is to protect the public and
property by providing an incentive to install fire protection
devices in residential homes.

Specifically, this measure provides an income tax deduction
for the installation of an automatic fire sprinkler system in a
single-family residence or a residential or mixed-use condominium
or cooperative housing corporation.

Testimony in support of this measure was submitted by the
State Fire Council, Department of Labor and Industrial Relations;
the Honolulu Fire Department; the Downtown Neighborhood Board No.
13; and the Hawaii Council of Association of Apartment Owners.
The Department of Taxation and the Tax Foundation submitted
comments.

Your Committee finds that automatic fire sprinklers are
proven fire protection devices that save lives, prevent injuries,
reduce property losses, prevent fires from escalating, and do not
rely on human factors to be effective. Providing an income tax
deduction for the qualifying costs of installing an automatic fire
sprinkler system will encourage owners of residential units to



install these fire protection devices. However, your Committee notes that this incentive should be made available to all residential unit owners, and recognizes that the installation of automatic sprinkler systems in condominiums and cooperative housing corporations cannot be done in piecemeal to accommodate only certain units rather than the entire building or project.

Accordingly, your Committee has amended this measure by:

- (1) Adding language to include owners of residential units who are not considered owner-occupants;
- (2) Adding language that requires the agreement and consent of all owner-occupants or owners other than owner-occupants in a condominium or cooperative housing project prior to the installation of the automatic fire sprinkler system; and
- (3) Making technical, nonsubstantive amendments for purposes of clarity and style.

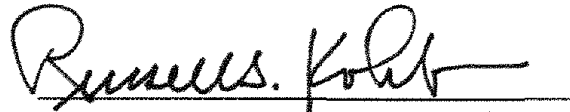
Your Committee discussed whether the tax incentive should be an income tax deduction or income tax credit, and believes that this dialogue should be continued by the Committee on Economic Development and Taxation and the Committee on Ways and Means, where types of tax incentives are more appropriately addressed.

Your Committee believes that providing an income tax deduction for the qualifying costs of the installation of an automatic sprinkler system in a single-family residence or in a residential or mixed-use condominium or cooperative housing project fulfills the intent of this measure by providing fire protective measures for the public and property.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2722, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2722, S.D. 1, and be referred to the Committee on Economic Development and Taxation.



Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,



RUSSELL S. KOKUBUN, Chair



