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# A BILL FOR AN ACT

RELATING TO GRAY WATER.

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

1           SECTION 1. 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-    Gray water system tax credit.   (a) Any taxpayer  
5 subject to the tax imposed by this chapter may claim a tax  
6 credit under this section against the Hawaii state individual or  
7 corporate net income tax. The tax credit may be claimed for  
8 every qualifying gray water system that is installed and placed  
9 in service by a taxpayer during the taxable year; provided that  
10 multiple owners of a single system shall be entitled to a single  
11 tax credit; and provided further that the tax credit shall be  
12 apportioned between the owners in proportion to their  
13 contribution to the cost of the system.

14           In the case of a partnership, S corporation, estate, or  
15 trust, the tax credit allowable is for every system that is  
16 installed and placed in service by the entity. The cost upon  
17 which the tax credit is computed shall be determined at the



1 entity level. Distribution and share of credit shall be  
2 determined pursuant to section 235-110.7(a).

3 (b) The amount of credit allowed for each qualifying gray  
4 water system that is installed and placed in service shall be  
5 equal to \_\_\_\_\_ per cent of actual cost of the gray water  
6 system; provided that a claim for a credit under this section  
7 shall not exceed \$ \_\_\_\_\_ per system.

8 (c) The director of taxation shall prepare any forms that  
9 may be necessary to claim a tax credit under this section. The  
10 director may also require the taxpayer to furnish reasonable  
11 information to ascertain the validity of the claim for credit  
12 made under this section and may adopt rules necessary to  
13 effectuate the purposes of this section pursuant to chapter 91.

14 (d) If the tax credit under this section exceeds the  
15 taxpayer's income tax liability, the excess of the credit over  
16 liability may be used as a credit against the taxpayer's income  
17 tax liability in subsequent years until exhausted. All claims  
18 for the tax credit under this section, including amended claims,  
19 shall be filed on or before the end of the twelfth month  
20 following the close of the taxable year for which the credit may  
21 be claimed. Failure to comply with this subsection shall  
22 constitute a waiver of the right to claim the credit.



1        (e) For the purposes of this section:  
2        "Actual cost" means costs related to the qualifying gray  
3 water system under subsection (a), including accessories and  
4 installation.  
5        "Qualifying gray water system" means a gray water system  
6 approved by a county gray water recycling program adopted  
7 pursuant to section 342D-70 or approved pursuant to the state  
8 building code established by section 107-25."

9        SECTION 2. New statutory material is underscored.

10       SECTION 3. This Act, upon its approval, shall apply to  
11 taxable years beginning after December 31, 2011.

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INTRODUCED BY:

*Cindy Evans*

*[Signature]*

*[Signature]*

JAN 19 2012



# H.B. NO. 2128

**Report Title:**

Gray Water System Tax Credit

**Description:**

Establishes a tax credit for the installation of gray water systems.

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

