

JAN 22 2016

A BILL FOR AN ACT

RELATING TO WATER CONSERVATION.

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- Residential water conservation system cost tax
5 credit. (a) There shall be allowed to each individual taxpayer
6 a residential water conservation system cost tax credit. The
7 credit shall be deductible from the taxpayer's net income tax
8 liability, if any, imposed by this chapter for the taxable year
9 in which the credit is properly claimed.

10 The amount of the tax credit shall be fifty per cent of the
11 cost of the residential water conservation system incurred and
12 paid during the taxable year up to a maximum of \$1,000; provided
13 that the residential water conservation system cost shall be
14 incurred after December 31, 2016, for a newly constructed
15 system.

16 Multiple owners of a single system shall be entitled to a
17 single tax credit; provided that the tax credit shall be



1 apportioned between the owners in proportion to their
2 contribution to the cost of the system.

3 The total amount of tax credits allowed under this section
4 shall not exceed \$2,000,000 for all taxpayers in any taxable
5 year.

6 (b) No other credit may be claimed under this chapter for
7 any residential water conservation system costs for which a
8 credit is claimed under this section for the taxable year.

9 (c) If a deduction is taken under section 179 of the
10 Internal Revenue Code of 1986, as amended, no tax credit shall
11 be allowed for that portion of the residential water
12 conservation system costs for which the deduction was taken.

13 The basis of eligible property for depreciation or
14 accelerated cost recovery system purposes for state income taxes
15 shall be reduced by the amount of credit allowable and claimed.

16 No deduction shall be allowed for that portion of the
17 residential water conservation system costs for which a credit
18 is claimed under this section.

19 (d) If the credit under this section exceeds the
20 taxpayer's net income tax liability for the taxable year, the
21 excess of the credit over liability shall be refunded to the



1 taxpayer; provided that no refunds or payments on account of the
2 credits allowed by this section shall be made for amounts less
3 than \$1.

4 All claims for a tax credit under this section shall be
5 filed on or before the end of the twelfth month following the
6 close of the taxable year for which the credit may be claimed.
7 Failure to comply with the foregoing provision shall constitute
8 a waiver of the right to claim the credit.

9 (e) The director of taxation shall:

- 10 (1) Prepare any forms that may be necessary to implement
11 the credit under this section; and
12 (2) Require the taxpayer to furnish information to
13 ascertain the validity of the claim for the credit
14 made under this section.

15 The director may adopt rules pursuant to chapter 91 to
16 effectuate this section.

17 (f) As used in this section, "residential water
18 conservation system" means:

- 19 (1) The equipment and supplies used to construct a system
20 for the capturing, infiltrating, or utilizing of



1 rainfall from roofs, constructed catchment surfaces,
 2 or other hard surfaces on a residential property; and
 3 (2) The equipment and supplies used to construct a system
 4 for the collection and reuse of gray water, as defined
 5 in section 342D-1, on a residential property."

6 SECTION 2. New statutory material is underscored.

7 SECTION 3. This Act, upon its approval, shall apply to
 8 taxable years beginning after December 31, 2016.

INTRODUCED BY:

J. Pauli Gosh
→

Mike Gabba

Clemente Mishkan
Michelle Sidani
Will Lyra
Ed Rivier
Armen A. Ananyan
Ron E. Ph



S.B. NO. 2644

Report Title:

Residential Water Conservation System; Tax Credit

Description:

Creates a refundable residential water conservation system cost tax credit for newly constructed systems beginning January 1, 2017.

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