

STAND. COM. REP. NO.

421

Honolulu, Hawaii

February 20, 2015

RE: H.B. No. 1242

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 1242 entitled:

"A BILL FOR AN ACT RELATING TO FIRE SPRINKLERS,"

begs leave to report as follows:

The purpose of this measure is to encourage the installation of fire sprinkler systems in residences by establishing a refundable tax credit for individual taxpayers equal to 25 percent of actual costs, including installation, of automatic fire sprinklers or systems in new residential one- or two-family residential dwelling units.

The State Fire Council, Honolulu Fire Department, Hawaii County Fire Department, Kauai Fire Department, and the Contractors Association of Kauai supported this measure. The Department of Taxation, Building Industry Association Hawaii, the Tax Foundation of Hawaii, and the General Contractors Association of Hawaii commented on this measure.

Your Committee has amended this measure by:

- (1) Establishing a maximum tax credit of \$5,000 that may be claimed by an individual;
- (2) Allowing only one tax credit to be claimed per tax map key number;

HB1242 HD1 HSCR HSG HMS 2015-1726-1




- (3) Permitting only owners of existing property or newly constructed residential property to claim the tax credit;
- (4) Making the tax credit nonrefundable;
- (5) Clarifying that if the tax credit is claimed by an individual, depreciation cannot be taken;
- (6) Changing the effective date to July 1, 2050, to further encourage discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee received testimony from the Department of Taxation stating that establishing the tax credit for over 5,000 residential units with a maximum tax credit that may be claimed per unit at \$5,000 would cost the State up to \$25,000,000 per year.

Should the Committee on Finance deliberate this measure further, your Committee respectfully requests that it consider the appropriate maximum amount of tax credit and how to award a tax credit to multiple households living on property within one tax map key number, while avoiding awarding multiple tax credits to one household.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1242, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1242, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Housing,



MARK J. HASHEM, Chair



