

Honolulu, Hawaii

FEB 05 2016

RE: S.B. No. 2644

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Water, Land, and Agriculture, to which was referred S.B. No. 2644 entitled:

"A BILL FOR AN ACT RELATING TO WATER CONSERVATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a refundable residential water conservation system cost income tax credit for newly constructed systems beginning January 1, 2017.

Your Committee received testimony in support of this measure from Hawaii Fresh Water Initiative, the Nature Conservancy, and one individual. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that water conservation is a high priority within the State and a residential water conservation system cost income tax credit may encourage taxpayers to take advantage of water conservation systems. Your Committee has heard the Department of Taxation's concerns regarding the language in this measure and finds the amendments suggested in the Department's testimony to be appropriate.

Your Committee has amended this measure by:

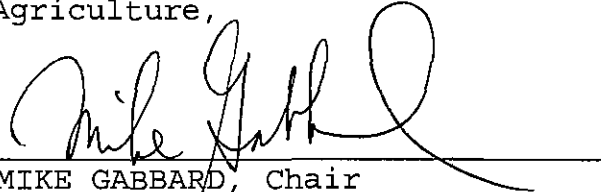
- (1) Amending language to make the tax credit non-refundable;
- (2) Deleting language to remove the aggregate tax credit cap;



- (3) Inserting language to require residential water conservation systems be approved by the Department of Health;
- (4) Amending the term "residential water conservation system" to mean a system that captures and reuses rain water or a system that collects and reuses gray water or recycled water;
- (5) Inserting language to amend the definition of "recycled water" under section 342D-1, Hawaii Revised Statutes, to include rain water or storm water;
- (6) Making the tax credit applicable to new systems constructed after December 31, 2017, and taxable years beginning after December 31, 2017; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Water, Land, and Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2644, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2644, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Water, Land, and
Agriculture,



MIKE GABBARD, Chair



