

Honolulu, Hawaii

APR 29 2016

RE: S.B. No. 3084
S.D. 1
H.D. 2
C.D. 1

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

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 3084, S.D. 1, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO CESSPOOLS,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to provide targeted incentives for the upgrade or conversion of cesspools.

Specifically, this measure:

- (1) Disallows the income tax credit for cesspool upgrade, conversion, or connection for taxpayers whose federal adjusted gross income exceeds certain amounts;
- (2) Authorizes the Department of Health to establish a cesspool upgrade, conversion, or connection tax credit or



rebate program to offset qualified expenses incurred by low-income households;

- (3) Authorizes the use of the credit for large-capacity cesspools connected to residential units;
- (4) Provides that cesspools located within two hundred feet of an existing sewer system may be certified by the county; and
- (5) Requires the Department of Health to report to the Legislature prior to the Regular Session of 2017 on further recommendations to compel or incentivize cesspool conversion.

Your Committee on Conference finds that, in order to reduce the contamination of groundwater, drinking water sources, streams, and the ocean caused by cesspool pollution, Act 120, Session Laws of Hawaii 2015, established a temporary income tax credit for taxpayers who upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or who connect a qualified cesspool to a sewer system. Your Committee on Conference also finds that, as currently written, the income tax credit statute is ambiguous regarding the availability of the tax credit for cesspools that are connected to multiple residential units.

Your Committee on Conference has amended this measure by:

- (1) Deleting all of its provisions, except for the provision that clarifies the availability of the income tax credit for cesspool upgrade, conversion, or connection for cesspools connected to multiple residential units; and
- (2) Clarifying that the residential large-capacity cesspools must be connected to more than one residence in order to be eligible for the tax credit.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 3084, S.D. 1, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 3084, S.D. 1, H.D. 2, C.D. 1.



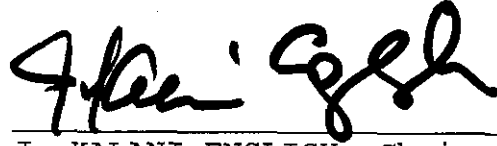
Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE



CHRIS LEE, Co-Chair



J. KALANI ENGLISH, Chair



DELLA AU BELATTI, Co-Chair



NICOLE E. LOWEN, Co-Chair



