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STATE OF HAWAII
DEPARTMENT OF TAXATION
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JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Chris Lee, Chair
and Members of the House Committee on Energy & Environmental Protection

Date: February 11, 2016
Time: 8:30 A.M.
Place: Conference Room 325, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2042, Relating to Water Conservation.

The Department of Taxation (Department) appreciates the intent of H.B. 2042 and provides the following comments for your consideration.

H.B. 2042 provides a refundable income tax credit for fifty percent of the cost of a residential water conservation system, up to a maximum of \$1,000, with an aggregate cap of \$2 million per year. The bill is effective upon approval and applies to taxable years beginning after December 31, 2016.

First, the Department notes that it generally recommends non-refundable tax credits because refundable tax credits create the potential for wrongful claims and abuse.

Second, the Department notes that aggregate caps are difficult for the Department to administer and often result in uncertainty for taxpayers. Accordingly, the Department requests that the credits be certified by another State agency if the Legislature intends to impose an aggregate cap on the total amount of claims.

Third, the Department notes that the definition of "residential water conservation system" in subsection (f)(1) is broad, as it includes any system to capture, infiltrate, *or* utilize rainfall from roofs or other hard surfaces on residential property. This may be interpreted to include any device to capture water even if the purpose is not to store and use the water, such as rain gutters without a storage tank. If the intent of this bill is to provide a credit for systems that capture rainfall for reuse, the Department suggests amending the definition to: "The equipment and supplies used to construct a system for the capturing, infiltrating, [ø] and utilizing of rainfall from roofs"

Fourth, assuming the definition of a "residential water conservation system" is intended to include either a system that captures and reuses rainwater as described in subsection (f)(1) *or* a system that collect and reuses grey water as described in (f)(2), the Department suggest replacing the word "and" in subsection (f)(1) on line 2, page 4, with an "or".

Finally, the Department notes that this bill will require a new form and system programming and requests that the bill apply to taxable years beginning after December 31, 2017.

Thank you for the opportunity to provide comments.



The Nature Conservancy, Hawai'i Program
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Honolulu, HI 96817

Tel (808) 537-4508
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nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting H.B. 2042 Relating to Water Conservation
House Committee on Energy & Environmental Protection
Thursday, February 11, 2016, 8:30AM, Room 325

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. We manage 40,000 acres in 14 preserves and work in 19 coastal communities to help protect the near-shore reefs and waters of the main Hawaiian Islands. We forge partnerships with government, private parties and communities to protect Hawai'i's important watershed forests and coral reefs.

The Nature Conservancy supports H.B. 2042 to create a refundable residential water conservation tax credit.

Easily available fresh water is not a limitless resource here in the middle of the Pacific. Several locations in the state have experienced prolonged drought and—though we had some reprieve in 2015—we again appear to be entering a drought cycle. The University of Hawai'i's Rainfall Atlas catalogues fewer trade wind days and declining rainfall over the past century. Temperature records were broken across the state over the last two summers and increased heat brings greater evaporation of surface water and soil moisture. Native 'ōhi'a and koa forests that are proving to be better at capturing and retaining rain water and moisture are being impaired by non-native plants like strawberry guava, ginger and albizia.

In response to these conditions, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. A tax credit to homeowners who install water conservation systems that capture and reuse water or that promote infiltration rather than runoff is a good incentive.

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 09, 2016 12:59 PM
To: EEPtestimony
Cc: scoleman@surfrider.org
Subject: Submitted testimony for HB2042 on Feb 11, 2016 08:30AM

HB2042

Submitted on: 2/9/2016

Testimony for EEP on Feb 11, 2016 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Stuart Coleman	Surfrider Foundation	Support	Yes

Comments: Dear Chair Lee, Vice Chair Lowen and Committee Members, The Surfrider Foundation's Hawaii Chapters support HB2042 and efforts to conserve our water supply by offering tax credits for water conservation systems. Mahalo for your consideration of this bill. Aloha, Stuart Coleman Hawaii Manager The Surfrider Foundation 2927 Hibiscus Pl. Honolulu, HI 96815

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Wai Maoli

HAWAII FRESH WATER INITIATIVE

827 Fort Street Mall | Honolulu, HI 96813 | (808) 537-6333
HawaiiCommunityFoundation.org

Fresh Water Council Members

William Aila

Stephen Anthony*

Michael Buck

Suzanne Case

Reginald Castanares

Meredith Ching

Derek Chow

Ka'eo Duarte

Sumner Erdman

Mark Fox

Thomas Giambelluca

Timothy Johns

Howard Killian

Patrick Kobayashi

Ernest Lau

Keith Okamoto

Jerry Ornellas

Monty Richards

Kapua Sproat

David Taylor

Dennis Teranishi

Barry Usagawa

*US Geological Survey
Liaison/Scientific Advisor to HCF

Testimony of the Hawai'i Fresh Water Initiative on H.B. 2042 Relating to Water Conservation House Committee on Water and Land Thursday, February 11, 2016 Conference Room 325

The Hawai'i Fresh Water Initiative strongly supports H.B. 2402, a residential water conservation system tax credit.

The Hawaii Fresh Water Initiative was launched in 2013 and gathered a diverse Fresh Water Council to develop a forward-thinking and consensus-based strategy to increase water security for Hawaii. The blue ribbon panel of water stakeholders jointly and unanimously recommend key strategies and policies with an ultimate goal of creating 100 million gallons per day (mgd) in additional, reliable fresh water capacity by 2030. One of the key strategies to achieve the statewide water conservation goal of 40 mgd is to increase the use of non-potable water for irrigation and other non-potable uses.

Several states facing water supply issues have successfully promoted the adoption of water saving devices, including rainwater harvesting systems to replace potable water use for yards and landscaping, greywater recycling systems, and water circulation pumps. The following considerations convinced the Council that encouraging water saving device adoption in Hawai'i homes should be a top priority:

- Among all 50 states, Hawai'i ranks in the top five in terms of our daily per capita water use at 156 gallons per day. Forty four states use less than 120 gallons per day.
- The Honolulu Board of Water Supply estimates that up to half of all potable water delivered to residences is actually used for landscape irrigation.
- A single hot water recirculation pump is estimated to save 11,000 to 15,000 gallons of water per year in a typical home.

H.B. 2042 establishes a tax credit equal to fifty-percent of the cost of installation of a water saving device in a residence, up to a maximum of \$1,000, with a maximum aggregated amount claimed by all taxpayers of \$2 million per year.

The tax credit established by H.B. 2042 has the potential to preserve hundreds of millions of gallons of fresh water per year, and is a critical component of a multi-pronged strategy to improve Hawaii's long-term water security.

For these reasons, we strongly support H.B. 2042 and urge its passage.



Surfrider Foundation Oahu Chapter

Rafael Bergstrom, Oahu Chapter Coordinator

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Aloha Chair Lee & the Committee on Energy & Environmental Protection

RE: HB 2042: In Strong Support

Thursday, February 11, 2016

TIME: 8:30 a.m.

PLACE: Conference Room 325

I am writing on behalf of the Surfrider Foundation's Oahu Chapter in support of HB 2042, a residential water conservation tax credit. Preserving our freshwater supplies is a crucial step towards creating a sustainable future in Hawai'i. As we continue to use more than 50% of our drinking water for irrigation purposes it is imperative that our state find creative mechanisms to incentivize the public to take charge of their water re-use and contribute to a reduced reliance on potable water for purposes outside of drinking.

Surfrider Oahu has greatly increased its Ocean Friendly Garden program in the past two years and aims to continue to educate and provide hands on technique training for water capture and reuse. Giving homeowners the option to have some of their expenses covered will encourage the growth of this important building sector. Not only will residents of Hawai'i be taking meaningful action to protect our freshwater resources, but they will also be supporting the growth of a new industry in building technology.

In addition to the freshwater recharge, collecting stormwater for reuse helps reduce the impact of polluted runoff that enters our stormdrains and empties into our oceans.

Please help Hawai'i to take charge of preserving our most precious natural resource – fresh water – and give citizens an incentive to actively take part in this important sustainability goal.

Mahalo for your time and consideration on this important topic.

Cheers,

Rafael Bergstrom

Surfrider Oahu Chapter Coordinator

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 10, 2016 11:05 PM
To: EEPtestimony
Cc: pulelehua23@hotmail.com
Subject: *Submitted testimony for HB2042 on Feb 11, 2016 08:30AM*

HB2042

Submitted on: 2/10/2016

Testimony for EEP on Feb 11, 2016 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Stephanie Chang	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 10, 2016 8:39 PM
To: EEPtestimony
Cc: milholen.jennifer@gmail.com
Subject: *Submitted testimony for HB2042 on Feb 11, 2016 08:30AM*

HB2042

Submitted on: 2/10/2016

Testimony for EEP on Feb 11, 2016 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Milholen	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 10, 2016 6:46 PM
To: EEPtestimony
Cc: zacharyhitchcock@yahoo.com
Subject: Submitted testimony for HB2042 on Feb 11, 2016 08:30AM

HB2042

Submitted on: 2/10/2016

Testimony for EEP on Feb 11, 2016 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Zachary Hitchcock	Individual	Support	No

Comments: Zachary Hichcock Chair, Surfrider Foundation Oahu Chapter 1533 Artesian Way Honolulu, HI 96822 808-222-6960 HB2042 Hearing Thursday, February 11, 2016 rm 325 8:30 am Dear Energy and Environment Protection and Finance Committees, I strongly support HB2042. Any incentives to conserve, reuse and recycle water for homeowners and businesses aids in the reduction of Stormwater runoff and less consumption of our water resources. This tax credit for water saving devices is a great step forward to our long term water security. Thank you for this forward thinking approach to our environment and our future. Sincerely, Zachary Hitchcock Chair, Surfrider Oahu 808-222-6960

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