

HB 1242

Companion SB 1304

DAVID IGE
GOVERNOR

SHAN TSUTSUI
LIEUTENANT GOVERNOR



Elaine Young
Acting Director

**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
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February 6, 2015

The Honorable Mark Hashem, Chair
Committee on Housing
House of Representatives
State Capitol, Room 326
Honolulu, Hawaii 96813

Dear Chair Hashem:

Subject: House Bill (HB) 1242 Relating to Fire Sprinklers

I am Manuel Neves, Chair of the State Fire Council (SFC) and Fire Chief of the Honolulu Fire Department (HFD). The SFC and the HFD strongly support HB 1242, which proposes to provide an incentive to install an automatic fire sprinkler system in any new detached one- and two-family dwelling used for residential purposes.

There is no question that fire sprinklers have a proven reliability record in saving lives and reducing property loss. Fire survivability increases by 80 percent, and property damage is reduced exponentially in single-family residences, which in Hawaii and nationally, has the highest death rates of any occupancy. Although improvements have been made in building construction, design and materials, the volatility and toxicity of today's synthetic furnishings allow untenable conditions to be reached more rapidly. Modern, lightweight construction materials collapse in 6 minutes versus 18½ minutes for traditional wood assemblies.

Normally, one sprinkler head controls or extinguishes a fire, and communities without public water mains can operate residential sprinklers with an on-site storage tank and pump. Residential sprinklers require very little maintenance, including visual valve inspections, and an annual flow and pump test if present. Combined with a homeowner insurance discount, this bill would provide an incentive which may provide serious consideration.

The SFC and the HFD urges your support of HB 1242.

The Honorable Mark Hashem, Chair
Page 2
February 6, 2015

Should you have questions, please contact SFC Administrator Socrates Bratakos at 723-7105 or sbratakos@honolulu.gov.

Sincerely,

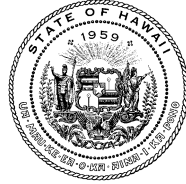
A handwritten signature in black ink, appearing to read 'MPN', with a stylized flourish at the end.

MANUEL P. NEVES
Chair

MPN/LR:clc

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

To: The Honorable Mark J. Hashem, Chair
and Members of the House Committee on Housing

Date: Monday, February 09, 2015
Time: 8:30 A.M.
Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1242, Relating to Fire Sprinklers

The Department of Taxation (Department) appreciates the intent of H.B. 1242 and provides the following **comments** for your consideration.

H.B. 1242, establishes a refundable income tax credit for individual taxpayer equal to twenty-five per cent of the total cost, including installation, of an automatic fire sprinkler or automatic fire sprinkler system in any new detached one- or two-family dwelling unit in a structure used only for residential purposes. The tax credit is effective on July 1, 2015 and applies to taxable years beginning after December 31, 2015, and is repealed on June 30, 2025.

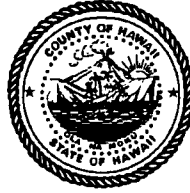
The Department notes that this measure applies only to installations in new detached single or two dwelling units. Detached single or two dwelling existing units would not qualify for the credit under this measure. Because the credit is for new construction only, any work will likely be done in conjunction with other plumbing necessary for the home. This may pose an allocation problem where the contractor/installer is doing work in addition to installing the sprinkler system such as general plumbing installation.

In addition, this credit applies to both owner-occupied and rental units. Taxpayer/landlords who rent such units already receive a tax deduction through depreciating such costs, and the Department suggests that such taxpayers be required to choose the benefit they desire: the credit or depreciation of the expense.

Finally, the Department notes that this credit is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create the potential for exaggerated claims and abuse.

Thank you for the opportunity to provide **comments**.

William P. Kenoi
Mayor



Darren J. Rosario
Fire Chief

Renwick J. Victorino
Deputy Fire Chief

County of Hawai'i
HAWAI'I FIRE DEPARTMENT
25 Aupuni Street • Suite 2501 • Hilo, Hawai'i 96720
(808) 932-2900 • Fax (808) 932-2928

February 6, 2015

The Honorable Mark Hashem, Chair
Committee on Housing
State Capitol, Room 326
Honolulu, Hawai'i 96813

Dear Chair Hashem:

Subject: H.B. 1242 Relating to Fire Sprinklers

I am Darren J. Rosario, Member of the State Fire Council (SFC) and Fire Chief of the Hawai'i Fire Department of the County of Hawai'i (HCFD). The SFC and the HCFD strongly support H.B. 1242, which proposes to provide an incentive to install an automatic fire sprinkler system in any new detached one- and two-family dwelling used for residential purposes.

Across the world, fire sprinklers have a proven reliability record in lives saved and reduced property loss. Studies have shown that fire survivability increases by eighty percent and property damage is reduced exponentially in single-family residences, which nationally and in Hawai'i has the highest death rates of any occupancy. Although improvements have been made in building construction, design and materials, the volatility and toxicity of today's synthetic furnishings allows untenable conditions to be reached more rapidly. Modern, lightweight construction materials collapse in six minutes versus the 18-and-a-half minutes for traditional wood assemblies.

During an incipient fire, one sprinkler head normally controls or extinguishes the fire. Communities without public water mains can operate residential sprinklers with an on-site storage tank and pump. Residential sprinklers require very little maintenance, including visual valve inspections, and an annual flow and pump test if present. Combined with a homeowner insurance discount, this bill would provide an incentive which may provide serious consideration.

Thank you for the opportunity to testify and should you have any questions, please contact me at 932-2903.

Sincerely,

A handwritten signature in black ink, appearing to read "Darren J. Rosario".

DARREN J. ROSARIO
Fire Chief



Bernard P. Carvalho, Jr.
Mayor



Robert F. Westerman
Fire Chief

Nadine K. Nakamura
Managing Director

John T. Blalock
Deputy Fire Chief

KAUA'I FIRE DEPARTMENT
County of Kaua'i, State of Hawai'i
4444 Rice Street, Suite 315, Lihu'e, Hawai'i 96766
TEL (808) 241-4980 FAX (808) 241-6508

February 6, 2015

The Honorable Mark Hashem, Chair
Committee on Housing
State Capitol, Room 326
Honolulu, Hawaii 96813

Dear Chair Hashem:

Subject: H.B. 1242 Relating to Fire Sprinklers

I am Robert F. Westerman, Vice Chair of the State Fire Council (SFC) and Fire Chief of the Kauai Fire Department (KFD). The SFC and the KFD strongly support H.B. 1242, which proposes to provide an incentive to install an automatic fire sprinkler system in any new detached one- and two-family dwelling used for residential purposes.

There is no question that fire sprinklers have a proven reliability record in lives saved and reduced property loss. Fire survivability increases by eighty percent and property damage is reduced exponentially in single-family residences, which nationally and in Hawaii has the highest death rates of any occupancy. Although improvements have been made in building construction, design and materials, the volatility and toxicity of today's synthetic furnishings allows untenable conditions to be reached more rapidly. Modern, lightweight construction materials collapse in six minutes versus the 18-and-a-half minutes for traditional wood assemblies.

Normally, one sprinkler head controls or extinguishes a fire and communities without public water mains can operate residential sprinklers with an on-site storage tank and pump. Residential sprinklers require very little maintenance, including visual valve inspections, and an annual flow and pump test if present. Combined with a homeowner insurance discount, this bill would provide an incentive which may provide serious consideration.

Thank you for the opportunity to testify and should you have any questions, please call SFC Administrator Socrates Bratakos at 723-7105.

Sincerely,

Robert F. Westerman
Vice Chair

RFW/dag

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Housing Monday, February 9, 2015 8:30 a.m.

State Capitol - Conference Room 329

RE: HOUSE BILL 1242, RELATING TO FIRE SPRINKLERS

Chair Hashem, Vice-Chair Jordan, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-Hawaii offers **comments** on H.B. 1242, which establishes a tax credit of twenty-five per cent of the total cost, including installation, of an automatic fire sprinkler or automatic fire sprinkler system in any new detached one- or two-family dwelling unit in a structure used only for residential purposes. Sunsets on June 30, 2025.

In 2012, the Legislature passed Act 83, which prohibits counties from requiring installation or retrofitting of automatic fire sprinklers in (1) new or existing one- or two-family dwelling units used only for residential purposes; and (2) non-residential agricultural and aquacultural buildings and structures located outside the urban area, with certain exceptions.

The BIA-Hawaii and the home building industry are committed to the safety of the communities in which they build. We continue to firmly stand behind Act 83 and urge the continuance of optional installation of residential fire sprinklers in new single-family residences because:

- 1) New homes are built safer and better with carbon monoxide detectors, improved electrical systems, improved framing and fire blocking techniques,
- 2) Fire sprinklers are not cost-effective, as indicated in this bill;
- 3) Only two states - California and Maryland - and the District of Columbia, have mandated residential sprinklers in all new homes; most others have either amended the mandate out at the state level, or have passed legislation requiring that no model code be adopted by a municipality mandating residential sprinklers.
- 4) The median price of a single-family home on Oahu is about \$700,000. The added price of a sprinkler system could easily put that home out of a family's reach;
- 5) Fires are preventable. The Centers for Disease Control and Prevention indicates that death and injuries caused by fire have decreased over the past several decades due to fire safety education programs and smoke alarm installation.
- 6) It has been shown that fire sprinklers do not have public support. The Missouri Home Building Association voluntarily asked its builder members to collect data from their home buyers. Out of 2,455 buyers within a two-year period, only 3 wanted sprinklers installed in their new home. A similar study, and results, was undertaken in Indiana.

Honorable Mark J. Hashem, Chair
House Committee on Housing
February 9, 2015
H.B. 1242
Testimony of BIA-Hawaii

Please keep in mind that if residential fire sprinklers are mandated, this proposed 25% tax credit will no longer be viable.

Additionally, BIA-Hawaii is concerned by two potential impacts of H.B. 1242. First, by providing tax credits to one segment of the construction industry, it drives away dollars from other segments. This was evident with the PV industry when the amount of other remodeling projects declined while PV projects skyrocketed. Since BIA-Hawaii represents all segments of the construction industry, we cannot support incentives that favor one segment over another.

Finally, we are concerned with this bill's impact to the State budget. Tax incentives cost the State money and reduces its income. Given the financial difficulties the State continues to face, we question the wisdom of reducing tax income. This will be especially true if this reduction causes the State to look for other revenue sources to make up for this lost income.

Thank you for the opportunity to share with you our views.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Automatic fire sprinkler system

BILL NUMBER: SB 1304; HB 1242 (Identical)

INTRODUCED BY: SB by Kouchi by request; HB by Kawakami, Ichiyama, McKelvey, Morikawa, Oshiro, Say, Tokioka, Tsuji, Woodson and 2 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow taxpayers to claim an income tax credit for every eligible automatic fire sprinkler or system that is installed and placed in service in any new detached one- or two-family dwelling unit that is in a residential structure. The tax credit shall be twenty-five percent of the actual cost of the system, including installation costs; provided that multiple owners of a single automatic fire sprinkler or system shall be entitled to a single tax credit apportioned between the owners in proportion to their contribution to the cost of the automatic fire sprinkler or system.

If the credit claimed by the taxpayer exceeds the tax liability of the taxpayer, any excess credit shall be refunded to the taxpayer provided such amount is over \$1. Requires the director of taxation to require the taxpayer to furnish reasonable information to validate a claim for the deduction and adopt rules pursuant to chapter 91.

This act shall be repealed on June 30, 2025.

EFFECTIVE DATE: July 1, 2015; applicable to tax years beginning after December 31, 2015

STAFF COMMENTS: This measure proposes an income tax credit for every automatic fire sprinkler system installed and placed in service in a new residential property. The proposed measure would grant preferential tax treatment to a very select group of taxpayers and do so without the taxpayer's need for tax relief.

Inasmuch as there is absolutely no relationship between the cost of the automatic fire sprinkler system and the taxpayer's tax burden, there is little justification for granting this tax preference which is merely a subsidy of the cost of an automatic fire sprinkler system by state government.

If the legislature believes public assistance is needed to encourage the installation of fire sprinkler systems, then a program of low-interest, no-interest loans might be more efficient and appropriate than the proposed credit.

Finally, a definition of "automatic sprinkler system" should be included in the measure to delineate what qualifies for the credit.

Digested 2/6/15

CONTRACTORS ASSOCIATION OF KAUAI
4231 AHUKINI ROAD
LIHU'E, HI 96766

PHONE: (808) 246-2662

FAX: (808) 246-8642



FAX TRANSMISSION

If you do not receive 2 pages (including cover page), please call 246-2662.

Date: February 6, 2015

TO: House of Representatives

FROM: Contractors Association of Kaua'i

RE: Testimony-- HB 1242

MESSAGE:

Organization submitting testimony: Contractors Association of Kaua'i

Committee: Committee on Housing

Date/time of hearing: Monday, February 9, 2015

8:30 a.m.

Conference room 329

Bill #: 1242, Relating to Fire Sprinklers

CONTRACTORS ASSOCIATION OF KAUAI

4231 Ahukini, Lihue, Kauai, Hawaii 96766
Phone (808) 246-2662 Fax (808) 246-8642



February 6, 2015

**Testimony from the Contractors Association of Kauai on:
HB1242, Relating to Fire Sprinklers**

Chair Hashem, Vice Chair Jordan and Members of the Committee on Housing:

The Contractors Association of Kauai (CAK) is submitting testimony today in **support** of HB1242, Relating to Fire Sprinklers.

The Association believes this is a fair option to any proposed mandatory fire sprinkler installation for detached single and two-family residential dwellings, especially with costs that averaged \$42,230 for Kauai County home owners. The \$42,230 figure will undoubtedly increase as the Department of Water has proposed increases in infrastructure costs.

The tax credit proposal provides an option for families and incentives owners may find beneficial, much like photo voltaic installation has been.

The Contractors Association of Kauai humbly asks that the Committee on Housing look favorably to this bill as an option to mandatory fire sprinklers that will be cost prohibitive for working families to realize dreams of home ownership.

Thank you for the opportunity to provide testimony in **support** of HB1242.

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

RECEIVED
Date & Time
Feb 09, 2015, 6:12 am

Uploaded via Capitol Website

February 9, 2015

TO: HONORABLE MARK HASHEM, CHAIR, HONORABLE JO JORDAN AND MEMBERS OF THE HOUSE COMMITTEE ON HOUSING

SUBJECT: **COMMENTS REGARDING H.B. 1242, RELATING TO FIRE SPRINKLERS.** Establishes a tax credit of twenty-five per cent of the total cost, including installation, of an automatic fire sprinkler or automatic fire sprinkler system in any new detached one- or two-family dwelling unit in a structure used only for residential purposes. Sunsets on June 30, 2025.

Hearing

DATE: Monday, February 9, 2015
TIME: 8:30 a.m.
PLACE: Room 329

Dear Chair Hashem, Vice Chair Jordan and Committee Members,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred eighty (580) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

H.B. 1242 proposes to establish a tax credit of twenty-five percent of the total cost, including installation of an automatic fire sprinkler or automatic fire sprinkler system in any new detached one or two family dwelling unit in any structure used for residential purposes.

While GCA appreciates the incentive proposed instead of a mandate in light of the expected 2017 sunset of Act 83, SLH 2012, which prohibits any county from mandating such installation; this tax credit is a start to incentivize home owners to potentially install fire sprinklers. GCA is also in support of newer technologies to address fire hazards that may be available in the near future, negating the need to install fire sprinklers.

GCA understands the necessity of protection and safety in homes. GCA supports incentives that would encourage homebuilders and homeowners to install fire safety measures that would reduce the likelihood of fire hazards.

Thank you for the opportunity to share our **comments**.