

Honolulu, Hawaii

February 15, 2018

RE: H.B. No. 2523
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2523 entitled:

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

begs leave to report as follows:

The purpose of this measure is to incentivize owners of new, detached one- or two-family residential dwelling units to install automatic fire sprinklers or an automatic fire sprinkler system by providing an income tax credit equal to twenty-five percent of the actual installation costs of the sprinklers or sprinkler system.

A Kauai County Councilmember and Oahu County Committee on Legislative Priorities of the Democratic Party of Hawaii supported this measure. The Department of Taxation, Building Industry Association of Hawaii, and Tax Foundation of Hawaii offered comments for this measure.

Your Committee finds that the cost of installing fire sprinklers or a fire sprinkler system in a one- or two-family dwelling may be cost-prohibitive.

Your Committee considered the Department of Taxation's comment regarding the definition of "new detached one- or two-family dwelling unit" and requests that stakeholders provide



testimony to refine this definition if this measure progresses through the legislative process.

Your Committee has amended this measure by:

- (1) Requiring that the excess tax credit be non-refundable, and allowing taxpayers to apply excess tax credits to the taxpayer's future net income tax liability;
- (2) Specifying that the Act shall apply to taxable years beginning after December 31, 2018 but not to taxable years beginning after December 31, 2024; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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. 2523, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2523, H.D. 1, and be referred to your Committee on Finance.

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



TOM BROWER, Chair



