

Honolulu, Hawaii

FEB 15 2017

RE: S.B. No. 1180
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committees on Commerce, Consumer Protection, and Health and Agriculture and Environment, to which was referred S.B. No. 1180 entitled:

"A BILL FOR AN ACT RELATING TO CESSPOOLS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the cesspool upgrade, conversion, or connection income tax credit to: make the tax credit assignable; make the tax credit refundable; disallow the tax credit for taxpayers whose federal adjusted gross income exceeds certain amounts; expand the criteria for cesspools that qualify for the tax credit; and extend the sunset date to December 31, 2022;
- (2) Require all cesspools in the State be upgraded or converted to septic or aerobic treatment unit systems or connected to sewer systems by January 1, 2050;
- (3) Establish a grant program to assist with cesspool upgrade or conversion costs;
- (4) Appropriate funds for the grant program; and
- (5) Require the Department of Health to develop guidelines for the mandatory disclosure of cesspools on real property.



Your Committees received testimony in support of this measure from the Department of Health, Surfrider Foundation, and five individuals. Your Committees received testimony in opposition to this measure from the Hawai'i Association of REALTORS. Your Committees received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committees find that cesspools are a major source of pollution to Hawaii's waters. According to testimony from the Department of Health, there are approximately 90,000 cesspools in the State, which discharge approximately 55,000,000 gallons of untreated sewage into the groundwater every day. Groundwater flows into drinking water sources, streams, and the ocean, harming public health and the environment, including beaches and coral reefs. Phasing out cesspools will eliminate threats to drinking water and recreational waters, although your Committees understand that there are significant costs associated with cesspool conversion. Among other things, this measure expands the cesspool upgrade, conversion, or connection income tax credit, including making the tax credit assignable, and establishes a grant program to help facilitate the phasing out of cesspools.

Your Committees have heard the concerns raised by the Department of Taxation in testimony, regarding the assignment of the cesspool upgrade, conversion, or connection income tax credit. According to the Department of Taxation, as there is no feasible way to monitor these assignments, there are concerns that permitting assignments of this income tax credit would increase the burden on the Department and greatly increase the likelihood of fraudulent and improper claims. Your Committees understand these concerns and conclude amendments to this measure are necessary.

Your Committees have amended this measure by:

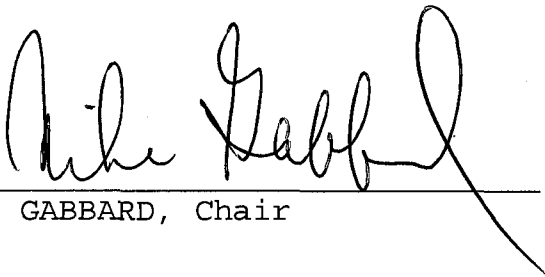
- (1) Deleting language that would have made the cesspool upgrade, conversion, or connection income tax credit assignable;
- (2) Clarifying that the amendments to the cesspool upgrade, conversion, or connection income tax credit shall apply to taxable years beginning after December 31, 2017; and



- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health and Agriculture and Environment that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1180, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1180, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Commerce, Consumer Protection, and Health and Agriculture and Environment,



MIKE GABBARD, Chair

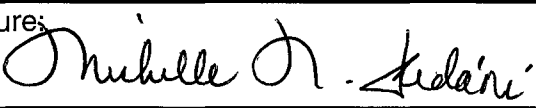


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i


Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1180	CPH/MEN, WAM	2-10-17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
NISHIHARA, Clarence K. (VC)				/
CHANG, Stanley	/			
ESPERO, Will	/			
IHARA, Jr., Les				/
KIDANI, Michelle N.	/			
RUDERMAN, Russell E.		/		
TOTAL	4	1		2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes

The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:* SB 1180	Committee Referral: CPH/AEN, WAM	Date: 2/10/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RIVIERE, Gil (VC)	X			
NISHIHARA, Clarence K.				X
RHOADS, Karl	X			
RUDERMAN, Russell E.		X		
TOTAL	3	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"></div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes