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To: The Honorable Donovan Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Thursday, March 29, 2018
Time: 10:50 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

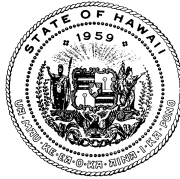
Re: H.B. 1802, H.D. 1, S.D. 1, Relating to Cesspools

The Department of Taxation (Department) appreciates the intent of H.B. 1802, H.D. 1, S.D. 1, and offers the following comments for your consideration.

H.B. 1802, H.D. 1, S.D. 1, amends the cesspool upgrade, conversion, or connection income tax credit under Hawaii Revised Statutes section 235-16.5, by repealing the provision that restricts the Department of Health from certifying more than two residential large capacity cesspools as qualified cesspools. The measure has a defective effective date of January 28, 2045, but otherwise applies to taxable years beginning after December 31, 2017.

This measure does not have a significant administrative impact on the Department and as such, the Department will be able to implement it with its current effective date.

Thank you for the opportunity to provide comments.



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WRITTEN
TESTIMONY ONLY

**Testimony in SUPPORT of HB1802 HD1 SD1
RELATING TO CESSPOOLS**

SENATOR DONOVAN M. DELA CRUZ, CHAIR
SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date: March 29, 2018
Time: 10:50 am

Room Number: 211

- 1 **Fiscal Implications:** None.
- 2 **Department Testimony:** The Department supports this measure. Cesspools are a major source of
3 pollution to Hawaii's waters. There are approximately 88,000 cesspools in the State, discharging
4 approximately 53 million gallons of untreated sewage into the groundwater every day.
5 Groundwater flows into drinking water sources; since ninety-five percent of all drinking water in
6 Hawaii comes from ground water sources, this cesspool pollution can potentially harm human
7 health. Groundwater also flows into streams and the ocean, harming public health and the
8 environment, including beaches, recreational waters, and coral reefs. Cesspools should be phased
9 out in order to eliminate threats to drinking water and recreational waters. There is an urgent need
10 to protect the public health and environment with cesspool upgrades as soon as feasible. These
11 upgrades can be to sewer or individual wastewater systems that comply with the Department's
12 Chapter 11-62, Hawaii Administrative Rules.
- 13 The cost of upgrades will be high, averaging \$20,000 to \$30,000, The Department is open to
14 various forms of financial support for homeowners who upgrade. Expanded tax credits and grants
15 are two possible options that would help homeowners afford the phasing out of cesspools.
- 16 The Department supports this measure of removing the restriction of certifying more than two
17 residential large capacity cesspools as qualified cesspools because it should increase the number of
18 cesspools that will be upgraded in the State and improve the utilization rate of the income tax credit
19 program.
- 20 Thank you for the opportunity to testify on this measure.

HB-1802-SD-1

Submitted on: 3/28/2018 10:36:00 AM

Testimony for WAM on 3/29/2018 10:50:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice-Chair, and Members of the Committee on Ways and Means:

Good morning, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") on Legislative Priorities of the Democratic Party of Hawaii. Thank you for this opportunity to provide written testimony on **HB1802 HD1 SD1** relating to Cesspools; and Income Tax Credit.

The OCC on Legislative Priorities is in favor of **HB1802 HD1 SD1** and supports its passage as it amends the cesspool upgrade, conversion, or connection income tax credit pilot program by repealing the provision that restricts DOH from certifying more than two residential large capacity cesspools as qualified cesspools, effective 1/28/2045.

HB1802 HD1 SD1 is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it incentivizes cesspool upgrades by providing income tax credits.

The DPH Platform states that the "Democratic Party of Hawai'i believes that the preservation and restoration of our natural environment are essential. We support a sustainable society that utilizes the Earth in such a way that future generations will benefit from the practices of our generation. We support the restoration, preservation, and protection of our native ecosystems on each island. We believe in integrated approaches, practices, and support public policies that create and maintain a sustainable way of life in Hawai'i.

We support the protection of our 'aina against destruction by corporate, government, or military usage and expect full restoration and reparation of environmental damage. To handle current and future demands for water we must assess the current condition of our aquifers and take appropriate actions to secure our freshwater resources.

We support the democratic participation of citizens and residents to protect (i) valuable coastal ecosystems and reefs from misuse and (ii) beaches for public use and recreation. The Hawai'i Coastal Zone Management (CZM) law HRS Chapter 205A, currently provides for public participation in the management of coastal resources. (Platform of the DPH, P. 8, Lines 422-430 (2016)).

Given that **HB1802 HD1 SD1** amends the cesspool upgrade, conversion, or connection income tax credit pilot program by repealing the provision that restricts DOH from certifying more than two residential large capacity cesspools as qualified cesspools, effective 1/28/2045, it is the position of the OCC on Legislative Priorities to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC on Legislative Priorities

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