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GOVERNOR

DOUGLAS S. CHIN  
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DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
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HONOLULU, HAWAII 96813  
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Phone: (808) 587-1540 / Fax: (808) 587-1560  
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To: The Honorable Will Espero, Chair  
and Members of the Senate Committee on Housing

The Honorable Clarence Nishihara, Chair  
and Members of the Senate Committee on Public Safety, Intergovernmental, and  
Military Affairs

Date: Tuesday, February 6, 2018  
Time: 2:45 P.M.  
Place: Conference Room 225, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: S.B. 2157, Relating to Automatic Fire Suppression Systems.

The Department of Taxation (Department) appreciates the intent of S.B. 2157 and offers the following comments for your consideration.

S.B. 2157 establishes a new refundable tax credit for taxpayers who install automatic fire suppression systems in certain residences. A summary of key provisions are as follows:

- Adds a new section to Hawaii Revised Statutes (HRS) chapter 235, creating a refundable tax credit for every eligible automatic fire suppression system that is installed and placed in service during the taxable year in any new detached one or two-family dwelling unit that is in a structure used only for residential purposes;
- Sets the amount of the credit at twenty-five percent of the actual costs of the system, including installation costs;
- Clarifies that multiple owners of a single system will be entitled to only one tax credit, to be apportioned between the owners in proportion to their contributions to the cost of the system;
- Authorizes the Director to require proof of the claim for the tax credit and to adopt rules pursuant to 91 to effectuate the purposes of the measure;
- Applies to taxable years beginning after December 31, 2017; and
- Will be repealed on June 30, 2025.

First, the Department notes the tax credit in this measure is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher

potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Second, the Department notes that the term “eligible automatic fire suppression system” is not defined. The Department suggests clarification on whether the legislature’s intent is for “eligible” to mean any fire suppression system installed in a one- or two-family residential dwelling in a residential structure, or if there are additional requirements to consider.

Third, the Department notes that the phrase “any new detached one- or two-family dwelling unit” is not defined. If the intent of the measure is to allow the credit for newly constructed dwelling units, the Department suggests specifying this with a construction completion date. For example, the credit could be made applicable to automatic fire suppression system which are installed and placed in service in a one or two-family dwelling unit that have not been previously occupied by any resident.

Finally, the Department respectfully request that the new tax credit be made applicable to taxable years beginning after December 31, 2018. The Department is in the process of implementing individual income tax into its new computer system and additional time will allow the Department to properly implement new tax features such as credits.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



LEONARD HOSHIO  
ACTING DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
830 PUNCHBOWL STREET, ROOM 321  
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February 5, 2018

The Honorable Will Espero, Chair  
Committee on Housing  
The State Senate  
State Capitol, Room 226  
Honolulu, Hawaii 96813

The Honorable Clarence Nishihara, Chair  
Committee on Public Safety, Intergovernmental,  
and Military Affairs  
The State Senate  
State Capitol, Room 214  
Honolulu, Hawaii 96813

Dear Chairs Espero and Nishihara:

Subject: Senate Bill (SB) 2157 Relating to Automatic Fire Suppression Systems

I am Manuel P. Neves, Chair of the Hawaii State Fire Council (SFC) and Fire Chief of the Honolulu Fire Department (HFD). The SFC and the HFD support SB 2157, which establishes a refundable income tax credit of 25% of the total cost of an automatic fire suppression system in any new detached one- or two-family dwelling unit.

The Marco Polo condominium fire on July 14, 2017, highlights the dangers of fire in unsprinklered buildings. According to national and Hawaii fire data, fires in one- and two-family dwellings have the highest death rate of all occupancies. Automatic fire sprinkler systems have been proven to save lives and property and protect the environment. Death rates and property loss are substantially reduced when these systems are installed and properly maintained.

The Honorable Will Espero, Chair  
The Honorable Clarence Nishihara, Chair  
Page 2  
February 5, 2018

Concerns by residents and the building industry have brought to light the financial burden to property owners who may be required to install automatic fire sprinklers. Since many potential homeowners are on a tight budget, low interest loans, among other cost reducing methods, would make the installation of automatic fire sprinkler systems an achievable outcome.

Life, safety, and property protection is the top priority for the SFC and the HFD. The SFC sincerely appreciates the effort by the legislature to provide cost savings to our residents of one- and two-family dwellings. The life-saving benefits of residential fire sprinklers will endure for future generations.

The SFC and the HFD urge your committees' support on the passage of SB 2157.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at 723-7176 or [lrogers@honolulu.gov](mailto:lrogers@honolulu.gov).

Sincerely,



MANUEL P. NEVES  
Chair

MPN/LR:clc

# Hawai'i State Association of Counties (HSAC)

Counties of Kaua'i, Maui, Hawai'i and City & County of Honolulu

74-5044 Ane Keohokalohe Highway, Bldg A, Kailua-Kona, HI 96740



February 2, 2018

TESTIMONY OF DRU KANUHA  
HSAC PRESIDENT

ON SB 2157, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS

Committee on Housing  
Committee on Public Safety, Intergovernmental, and Military Affairs  
Tuesday, February 6, 2018

2:45 p.m.  
Conference Room 225

Aloha Chair Espero, Chair Nishihara and Members of the Committee:

I thank you for the opportunity to testify on behalf of the Hawai'i State Association of Counties in **support** of Senate Bill 2157, relating to automatic fire suppression systems which is included in the 2018 HSAC Legislative Package.

The purpose of this measure is to establish a refundable income tax credit of twenty five percent of the total costs, including installation costs, of an automatic fire suppression system in any new detached one or two family dwelling unit in a structure used only for residential purposes.

Automatic fire suppression systems for one or two family dwelling units is rare in the State of Hawai'i. One reason for the scarcity is the cost of installation. This measure provides an incentive that is needed to promote installation of fire suppression systems in one or two family dwellings in the form of an income tax credit

HSAC supports this measure for the reasons stated above and we urge the Committee on Housing to support this measure as well. Should you have any questions, please feel free to call me at (808) 323-4267.

Mahalo for your consideration.

A handwritten signature in black ink, appearing to read "D Kanuha". The signature is fluid and cursive, with a long horizontal stroke at the end.

DRU KANUHA  
HSAC PRESIDENT

**COUNTY COUNCIL**

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**Council Services Division**  
4396 Rice Street, Suite 209  
Lihu'e, Kaua'i, Hawai'i 96766

February 2, 2018

**TESTIMONY OF DEREK S.K. KAWAKAMI  
COUNCILMEMBER, KAUAI COUNTY COUNCIL  
ON**

**SB 2157, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS**  
Senate Committee on Housing  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs  
Tuesday, February 6, 2018  
2:45 p.m.  
Conference Room 225

Dear Chair Espero, Chair Nishihara, and Members of the Committees:

Thank you for this opportunity to provide testimony in strong support of SB 2157, Relating to Automatic Fire Suppression Systems. My testimony is submitted as Vice President of the Hawai'i State Association of Counties, and in my individual capacity as a member of the Kaua'i County Council and Chair of the Council's Economic Development & Intergovernmental Relations Committee.

SB 2157, Relating to Automatic Fire Suppression Systems, is included in the 2018 Hawai'i State Association of Counties Legislative Package. This measure will provide an incentive to promote the installation of automatic fire suppression systems in new one- and two-family dwellings in the State. Automatic fire protection systems will provide that extra second needed for everyone, especially the frail, elderly, and young children, to escape the peril associated with homes being engulfed by fire.

For the reasons stated above, I urge the Senate Committee on Housing and Senate Committee on Public Safety, Intergovernmental, and Military Affairs to support this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

**DEREK S.K. KAWAKAMI**  
Councilmember, Kaua'i County Council

AMK:lc



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- ADDRESS:  
94-487 AKOKI STREET, SUITE 213  
WAIPAHO, HAWAII 96797  
P 808.847.4666

**Testimony to the Senate Committees on Housing; and  
Public Safety, Intergovernmental, & Military Affairs  
Tuesday, February 6, 2018  
2:45 pm  
State Capitol, Room 225**

**RE: SB 2157 – Relating to Automatic Fire Suppression Systems**

Chairs Espero & Nishihara, Vice-Chairs Harimoto & Wakai, & members of the Committees:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII submits the following comments on S.B. 2157, which proposes to establish a refundable income tax credit of 25% of the total costs, including installation costs, of an automatic fire suppression system in any new detached 1- or 2-family dwelling unit in a structure used only for residential purposes.

We understand the desire to provide financial assistance to condominium associations whose members would need to pay for the retrofit or installation of automatic fire sprinkler systems. Our concern is that the source of funding the loans should not come from any tax revenues (i.e. income taxes, real property taxes, GET, etc.) as these public funds would be used to fund one segment of the construction industry as opposed to the industry as a whole.

Thank you for the opportunity to express our views on this matter.

1065 Ahua Street  
Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 6, 2018

TO: HONORABLE WILL ESPERO, CHAIR, HONORABLE BREENE HARIMOTO, VICE CHAIR AND MEMBERS OF THE SENATE COMMITTEE ON HOUSING

HONORABLE CLARENCE NISHIHARA, CHAIR, HONORABLE GLENN WAKAI AND MEMBERS OF THE SENATE COMMITTEE ON

SUBJECT: **S.B. 2157, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS.**  
Establishes a refundable income tax credit of 25% of the total costs, including installation costs, of an automatic fire suppression system in any new detached 1- or 2-family dwelling unit in a structure used only for residential purposes. Sunsets on 6/30/25.

Hearing

DATE: Tuesday, February 6, 2018  
TIME: 2:45 PM  
PLACE: Conference Room 225

Dear Chair Espero and Chair Nishihara, Vice Chair Harimoto and Vice Chair Wakai and Members of the Committees,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred 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.

S.B. 2157, Relating to Automatic Fire Suppression Systems proposes to provide an incentive to install an automatic fire suppression system in any new detached one or two family dwelling unit that is used for residential purposes. The income tax credit would be equal to twenty five percent of the actual costs of the system, including installation. The income tax credit would sunset in June 2025

GCA understands the necessity of protection and safety in homes. GCA is opposed to mandates that would present a significant cost burden to homebuilders and homeowners alike. Instead, GCA encourages incentives that would encourage homebuilders and homeowners to install fire safety measures that would reduce the likelihood of fire hazards. This measure provides such incentives for homeowners to choose whether or not they would like to install a fire suppression system.

GCA is in support of H.B. 2157 and would respectfully request that this Committee pass this measure. Thank you for the opportunity to testify.



**SB-2157**

Submitted on: 2/5/2018 1:04:05 PM

Testimony for PSM on 2/6/2018 2:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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**SUBJECT:** INCOME, Tax Credit for Fire Sprinklers

**BILL NUMBER:** SB 2157; HB 1789 (Identical)

**INTRODUCED BY:** SB by KOUCHI by request; HB by SAIKI by request

**EXECUTIVE SUMMARY:** Enacts a new income tax credit for fire sprinklers. A direct appropriation would be preferable as it would provide some accountability for the taxpayer funds being utilized to support this effort. Meaning, we as taxpayers know what we're getting and we know how much we're paying for it.

**SYNOPSIS:** Amends HRS chapter 235 to add a credit for an owner/occupant individual for installing and placing into service an eligible automatic fire suppression system.

The amount of the credit would be 25% of the actual cost of the system, including installation, up to \$10,000. It would apply to an installation in a new one- or two-family dwelling used only for residential purposes. Multiple owners of a single automatic fire suppression system shall be entitled to a single tax credit, which shall be apportioned between the owners in proportion to their contribution to the costs of the automatic fire suppression system.

The credit is refundable.

Provides that all claims for this credit, including any amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credits may be claimed.

**EFFECTIVE DATE:** Applies to taxable years beginning after December 31, 2017, and is repealed on June 30, 2025.

**STAFF COMMENTS:** Some technical concerns with the bill as it is now drafted:

Subsection (e) states that all of the provisions relating to assessments and refunds shall apply to the tax credit under this section. They do anyway. This subsection is not needed.

Subsection (f) relating to deadline for filing would normally contain the sentence, "Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit."

Digested 2/3/2018