

SB 472

Measure Title: RELATING TO FIRE PROTECTION.

Report Title: State Fire Council Package; Fire Sprinklers; Tax Credit

Description: Establishes a tax credit of 30% of the actual cost, including installation, water meter, and permitting fees, of an automatic fire sprinkler system in any one- and two-family dwelling in a structure used only for residential purposes. Sunset 6/30/2027.

Companion: HB296

Package: State Fire Council

Current Referral: HOU/CPH, WAM

Introducer(s): KOUCHI (Introduced by request of another party)

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

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Will Espero, Chair
and Members of the Senate Committee on Housing

The Honorable Rosalyn H. Baker, Chair
and Members of the Senate Committee on Commerce, Consumer Protection, and
Health

Date: Thursday, February 9, 2017
Time: 2:45 P.M.
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 472, Relating to Fire Protection

The Department of Taxation (Department) appreciates the intent of the measure to minimize the loss of property and life through the means of installing fire sprinkler systems, and provides the following comments for your consideration.

S.B. 472 creates a new tax credit, equal to thirty percent of costs including installation, water meter, and permitting fees, up to a maximum of \$10,000 for automatic fire sprinkler systems installed by owner occupants of single and two family dwelling units used for residential purposes. The measure is effective upon approval, and is available for tax years beginning after December 31, 2016, and is repealed on June 30, 2027.

First, the Department notes that there are internal inconsistencies within the measure. Subsection (b) provides that the credit is available to any taxpayer who installs and places in service a fire sprinkler system, whereas (b)(1) states that only new single or two family dwelling units are eligible. In addition, subsection (b)(1) seems to allow a "purchaser installing the automatic sprinkler system" to claim the credit even though the other provisions limit the claim to the "owner/occupant." The Department suggests that these inconsistencies be clarified.

Second, the Department requests clarification on subsection (c) of the measure, which provides:

The basis of eligible property for depreciation or accelerated cost recovery system purposes for state income taxes shall be reduced by the amount of credit allowable

and claimed. No deduction shall be allowed for that portion of otherwise deductible qualified costs for which a credit is claimed under this section.

It is not clear whether the basis for depreciation is reduced only by the amount of the credit claimed (which is what the first statement says), or is reduced by all costs used in calculating the credit (which is what the second statement says). Furthermore, it is unclear when depreciation would be allowable in the first place. If the intent of the credit is to only allow owner/occupants to claim the credit then subsection (c) may not be necessary as depreciation deductions are not allowed for personal use property. Accordingly, the Department suggests clarification of this subsection.

Third, if a sprinkler system is installed with new construction, it may be difficult to isolate the sprinkler system costs that qualify for this credit. It may be more feasible to provide this credit at a fixed amount per sprinkler system. Since the credit is limited to one credit per tax map key number, providing the credit per system should not create the same issues as the renewable energy technologies income tax credit did.

Finally, if the Committee wishes to advance this measure, the Department requests that the effective date be made no earlier than taxable years beginning after December 31, 2017. This will allow the Department sufficient time to make the necessary form, instruction and computer system modifications.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dllr.director@hawaii.gov

February 7, 2017

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

Dear Chair Espero:

Subject: Senate Bill (SB) 472 Relating to Fire Protection

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 472, which proposes to provide a fire sprinkler tax credit for new one- and two-family dwellings for those who have installed an automatic fire sprinkler system as an owner/occupant during the construction of their home.

This bill provides an incentive for homeowners of new one- and two-family dwellings to install an automatic fire sprinkler system during construction. The tax credit will be granted to the owner/occupant of the dwelling (one credit per tax map key number) for approximately 30 percent of the total cost of the system (not to exceed \$10,000).

Public safety and property protection are priorities for the SFC and the HFD. The SFC and the HFD urge your committee's support on the passage of SB 472.

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 "M. Neves", written over a white background.

MANUEL P. NEVES
Chair

MPN/LR:clc

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Fire Sprinklers

BILL NUMBER: SB 472; HB 296 (Identical)

INTRODUCED BY: SB by Kouchi by request; HB by Souki 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.

BRIEF SUMMARY: Amends HRS chapter 235 to add a credit for an owner/occupant individual for installing and placing into service an eligible fire sprinkler system.

The amount of the credit would be 30% of the actual cost of the system, including installation, water meter, and permitting fees, provided that: (1) only the owner/occupant of the dwelling or the purchaser installing the automatic sprinkler system in a new one- or two-family dwelling used only for residential purposes shall be entitled to a single tax credit; (2) only one credit may be claimed per tax map key number; and (3) the amount of the credit taken shall not exceed \$10,000.

The basis of eligible property for depreciation purposes shall be reduced by the amount of credit allowable and claimed.

The credit is nonrefundable. Excess credit can be carried forward to future taxable years until exhausted.

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.

If the State or a county requires an automatic fire sprinkler system to be installed, no claim for a tax credit for the automatic sprinkler shall be allowed.

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2016, and is repealed on June 30, 2027.

STAFF COMMENTS: However laudable the idea of encouraging installation of fire sprinkler systems may be, what lawmakers and administrators have learned in these past few years is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are irresponsible as the cost of these credits goes far beyond what was ever intended.

Bernard P. Carvalho, Jr.
Mayor



Robert F. Westerman
Fire Chief

Wallace G. Rezentes, Jr.
Managing Director

Kilipaki K. F. Vaughan
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 7, 2017

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

Dear Chair Espero:

Subject: Senate Bill (SB) 472 Relating to Fire Protection

I am Robert F. Westerman, Vice-Chair of the Hawaii State Fire Council (SFC) and Fire Chief of the Kauai Fire Department (KFD). The SFC and the KFD support SB 472, which proposes to provide a fire sprinkler tax credit for new one- and two-family dwellings for those who have installed an automatic fire sprinkler system as an owner/occupant during the construction of their home.

This bill provides an incentive for homeowners of new one- and two-family dwellings to install an automatic fire sprinkler system during construction. The tax credit will be granted to the owner/occupant of the dwelling (one credit per tax map key number) for approximately 30 percent of the total cost of the system (not to exceed \$10,000).

Public safety and property protection are priorities for the SFC and the KFD. The SFC and the KFD urge your committee's support on the passage of SB 472.

Please call me at (808) 241-4975 should you have any questions regarding this matter.

Sincerely,

Robert Westerman
Fire Chief, County of Kaua'i

RFW/eld

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 1:13 PM
To: HOU Testimony
Cc: fu_dog_5@yahoo.com
Subject: *Submitted testimony for SB472 on Feb 9, 2017 14:45PM*

SB472

Submitted on: 2/6/2017

Testimony for HOU/CPH on Feb 9, 2017 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
robert	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov