

JAN 18 2019

A BILL FOR AN ACT

RELATING TO FIRE PROTECTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that automatic fire
2 sprinkler systems have a proven record of significantly reducing
3 life loss, injury, and property damage caused by a fire. Only
4 the sprinkler head closest to the fire will activate and ninety
5 per cent of fires are contained by the operation of just one
6 sprinkler. Today, newer homes pose inherent fire hazards that
7 affect not only the occupants, but also firefighters. This is
8 due to:

9 (1) Engineered lumber now used as a composite joist or
10 beam as part of modern, lightweight construction
11 material. Compared with traditional wood materials in
12 older homes, lightweight construction assemblies
13 collapsed in six minutes versus eighteen minutes for
14 wood;

15 (2) Modern furnishings burn quicker and hotter than
16 traditional legacy furnishings; and



1 (3) Higher ceiling heights and open plan designs with less
2 compartmentalization provide larger volumes of oxygen,
3 which contributes to a fire's ability to spread more
4 rapidly.

5 California, Maryland, and the District of Columbia require
6 residential sprinklers in all new, one- and two-family
7 dwellings. Nineteen states do not require sprinklers but allow
8 local jurisdictions to require them. Communities that have
9 adopted a residential sprinkler requirement in new, one- and
10 two-family dwellings have not seen any decrease in the
11 residential construction or the sale of new homes, and economies
12 of a greater scale help reduce costs. However, residential fire
13 sprinklers in one- and two-family dwellings are rare in the
14 State due to their cost. The legislature finds that an
15 incentive is needed to encourage the installation of fire
16 sprinklers in new homes.

17 The purpose of this Act is to provide an incentive for an
18 owner-occupant to install an automatic fire sprinkler system in
19 any new, one- or two-family dwelling that is used only for
20 residential purposes by establishing a tax credit equal to a



1 percentage of the actual cost of the system, including
2 installation, water meter, and permitting fees.

3 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
4 amended by adding a new section to part I to be appropriately
5 designated and to read as follows:

6 "§235- Automatic fire sprinkler system; income tax
7 credit. (a) For taxable years beginning after December 31,
8 2019, and ending before January 1, 2027, there shall be allowed
9 to each individual taxpayer subject to the tax imposed under
10 this chapter, an automatic fire sprinkler system tax credit that
11 shall be deductible from the taxpayer's net income tax
12 liability, if any, imposed by this chapter for the taxable year
13 in which the credit is properly claimed.

14 (b) The tax credit may be claimed for an eligible
15 automatic fire sprinkler system that is installed and placed in
16 service by the taxpayer during the taxable year in a new, one-
17 or two-family dwelling owned and occupied by the taxpayer and
18 located in a building that is used only for residential
19 purposes. The tax credit that may be claimed for each automatic
20 sprinkler system shall be no more than thirty per cent of the



1 actual cost of the system, including installation, water, and
2 permit fees; provided that:

3 (1) Only the owner-occupant of the dwelling or the
4 purchaser installing the automatic sprinkler system in
5 a new, one- or two-family dwelling used only for
6 residential purposes shall be entitled to the tax
7 credit;

8 (2) Only one credit may be claimed per tax map key number;
9 and

10 (3) The amount of the credit taken shall not exceed
11 \$10,000.

12 (c) The basis of eligible property for depreciation or
13 accelerated cost recovery system purposes for state income taxes
14 shall be reduced by the amount of credit allowable and claimed.
15 No deduction shall be allowed for that portion of otherwise
16 deductible qualified costs for which a credit is claimed under
17 this section.

18 (d) If the tax credit claimed by the taxpayer under this
19 section exceeds the amount of the income tax payments due from
20 the taxpayer, the excess of credit over payments due shall be



1 used as a credit against the taxpayer's income tax liability in
2 subsequent years until exhausted.

3 (e) The director of taxation shall prepare forms that may
4 be necessary to claim a credit under this section, may require
5 proof of the claim for the tax credit, and may adopt rules
6 pursuant to chapter 91 necessary to carry out this section.

7 (f) All of the provisions relating to assessments and
8 refunds under this chapter and section 231-23(c)(1) shall apply
9 to the tax credit under this section.

10 (g) Claims for the tax credit under this section,
11 including any amended claims, shall be filed on or before the
12 end of the twelfth month following the taxable year for which
13 the credit may be claimed.

14 (h) If the State or county requires an automatic fire
15 sprinkler system to be installed, by an individual taxpayer,
16 that taxpayer shall not be eligible to claim a tax credit under
17 this section."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect upon its approval
20 and shall:



S.B. NO. 633

- 1 (1) Apply to taxable years beginning after December 31,
- 2 2019; and
- 3 (2) Be repealed on June 30, 2027.
- 4

INTRODUCED BY: Clarene Quishpe B/A



S.B. NO. 633

Report Title:

Fire Sprinklers; Income Tax Credit

Description:

Establishes a tax credit of thirty per cent of the actual cost, including installation, water meter, and permitting fees, not to exceed \$10,000, for an automatic fire sprinkler system installed in any new, one- and two-family dwelling in a building used only for residential purposes. Repeals on 6/30/2027.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

