

DAVID Y. IGE
GOVERNOR

JOSH GREEN
LIEUTENANT GOVERNOR



SCOTT T. MURAKAMI
DIRECTOR

ANNE EUSTAQUIO
DEPUTY DIRECTOR

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

January 28, 2020

The Honorable Roy Takumi, Chair
Committee on Consumer Protection
and Commerce
House of Representatives
State Capitol, Room 320
Honolulu, Hawaii 96813

Dear Chair Takumi

Subject: House Bill (HB) 1757 Relating to Fire Protection

I am Manuel P. Neves, Chair of the Hawaii State (State) Fire Council (SFC) and Fire Chief of the Honolulu Fire Department (HFD). The SFC and the HFD support HB 1757, which establishes a nonrefundable income tax credit of 30% of the total cost of an automatic fire sprinkler system for an owner in any new or existing detached one- or two-family dwelling, a condominium, or apartment unit.

According to the National Fire Protection Association's latest U.S. data, 92% of civilian fire deaths resulted from home structure fires. Few fatal home fires involve installed features of homes and usually involve the actions and errors of the occupants combined with the vulnerabilities of products brought into the home. Research conducted by the National Institute of Standards and Technology has shown that home fires become deadly in as little as three minutes. New and old homes alike are filled with these newer contents and furnishings, which provide less of a margin for success for smoke alarms and add to the need for fire sprinklers. Modern lightweight home construction products, especially wood truss roof systems and wood joists, can rapidly fail under fire conditions, which is an extreme risk to fire fighters responding to a fire. Automatic fire sprinkler systems have proven to be a solution to saving lives and property from fire. Death rates and property loss are significantly reduced when these systems are properly installed. There is no maintenance involved with a flow-through sprinkler system in a one- or two-family dwelling, because water in the sprinkler system circulates every time the domestic water is used.

The Honorable Roy Takumi, Chair

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January 28, 2020

The following is a comparison of fires in the City and County of Honolulu from 2006 to 2015:

Statistics from Fires in the City and County of Honolulu 2006-2015		
	Nonsprinklered Structures	Sprinklered Structures
Fatalities	23	1
Injuries	135	9
Dollar Loss	\$154,978,453	\$6,161,469

The recent fire on Hibiscus Drive on January 19, 2020, highlights the dangers of fire in a single-family home not equipped with a residential sprinkler system. Since 2009, national building and fire codes have required residential sprinklers in new one- and two-family dwellings.

We respectfully request that the bill be amended to include owners of existing high-rise residential buildings, inclusive of it being mandatory. Implementation of several alternatives, including providing incentives to reduce fire sprinkler costs, will help make the installation of fire sprinklers reach an achievable outcome.

Life, safety, and property protection is the top priority for the SFC and the HFD. The life-saving benefits of residential fire sprinklers will endure for future generations of occupants and owners of sprinklered residential property.

The SFC and the HFD urge your committee's support on the passage of HB 1757.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at 723-7176 or lrogers@honolulu.gov.

Sincerely,

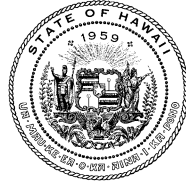


MANUEL P. NEVES
Chair

MPN/LR:cn

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Roy M. Takumi, Chair;
The Honorable Linda Ichiyama, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Rona M. Suzuki, Director
Department of Taxation

Re: **H.B. 1757, Relating to Fire Protection**

Date: Thursday, January 30, 2020

Time: 2:00 P.M.

Place: Conference Room 329, State Capitol

The Department of Taxation (Department) appreciates the intent of H.B. 1757 and offers the following comments.

H.B. 1757 creates a new income tax credit for an automatic sprinkler system installed and placed in service by a taxpayer during the taxable year in any one- or two-family dwelling unit in a building that is used only for residential purposes. The credit is equal to thirty per cent of the actual cost of the system, including installation, materials, water, permitting fees, and any related charges and is capped at \$5,000 per tax map key number. The measure disallows the credit in the event that the State or a county requires an automatic fire sprinkler system to be installed. H.B. 1757 applies to taxable years beginning after December 31, 2019 and is repealed on June 30, 2030.

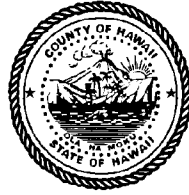
If a sprinkler system is installed with new construction, it will be difficult to isolate the costs associated with the sprinkler system installation that qualify for this credit. It may be more feasible to provide this credit at a fixed amount per sprinkler system.

Subsection (c) may not be necessary as depreciation deductions are not allowed for personal use property and only the owner/occupant is allowed to claim the credit.

Finally, the Department respectfully requests that the new tax credit be made applicable to taxable years beginning after December 31, 2020. This will allow the Department sufficient time to make the necessary form and computer system changes.

Thank you for the opportunity to provide comments.

Harry Kim
Mayor



Darren J. Rosario
Fire Chief

Lance S. Uchida
Deputy Fire Chief

County of Hawai'i
HAWAI'I FIRE DEPARTMENT
25 Aupuni Street • Suite 2501 • Hilo, Hawai'i 96720
(808) 932-2900 • Fax (808) 932-2928

January 28, 2020

The Honorable Roy Takumi, Chair
Committee on Consumer Protection and Commerce
House of Representatives
State Capitol, Room 320
Honolulu, Hawai'i 96813

Dear Chair Takumi:

Subject: H.B. 1757, RELATING TO FIRE PROTECTION
Hearing Date: Thursday, January 30, 2020
Time/Place of Hearing: 2:30 p.m., Conference Room 329

I am Darren J. Rosario, Vice Chairman of the Hawai'i State Fire Council (SFC) and Fire Chief of the Hawai'i Fire Department of the County of Hawai'i (HCFD). The SFC and the HCFD support HB 1757, which establishes a nonrefundable income tax credit of 30% of the total cost of an automatic fire sprinkler system for an owner in any new or existing detached one- or two-family dwelling or in a condominium or apartment unit.

On behalf of the Hawai'i Fire Department, I support the written testimony being submitted by State Fire Council Chair Manuel Neves in its entirety.

The SFC and the HCFD respectfully request your passage of HB 1757.

Please do not hesitate to call me at 932-2903 or darren.rosario@hawaiicounty.gov should you have any questions. Thank you for the opportunity to provide testimony in support.

Respectfully,

A handwritten signature in black ink, appearing to read "Darren".

DARREN J. ROSARIO
Fire Chief





**KAUA'I FIRE DEPARTMENT
THE COUNTY OF KAUA'I**

DEREK S. K. KAWAKAMI, MAYOR
MICHAEL A. DAHLIG, MANAGING DIRECTOR

ROBERT F. WESTERMAN
FIRE CHIEF

Testimony of Robert F. Westerman
Fire Chief, Kaua'i Fire Department

Before the
Committee on Consumer Protection and Commerce
January 30, 2020; 2:30 pm
Conference Room 329

In consideration of
House Bill 1757
Relating to Fire Protection

Honorable Chair Takumi, Vice Chair Ichiyama, and Members of the Committee:

The State Fire Council (SFC) and the Kaua'i Fire Department (KFD) **support** HB 1757, which establishes a nonrefundable income tax credit of 30% of the total cost of an automatic fire sprinkler system for an owner in any new or existing detached one- or two-family dwelling or in a condominium or apartment unit.

According to the National Fire Protection Association's latest U.S. data, 92% of civilian fire deaths resulted from home structure fires. Few fatal home fires involve installed features of homes and usually involve the actions and errors of the occupants combined with the vulnerabilities of products brought into the home. Research conducted by the National Institute of Standards and Technology has shown that home fires become deadly in as little as three minutes. New and old homes alike are filled with these newer contents and furnishings, which provide less of a margin for success for smoke alarms and add to the need for fire sprinklers. Modern lightweight home construction products, especially wood truss roof systems and wood joists, can rapidly fail under fire conditions, which is an extreme risk to fire fighters responding to a fire. Automatic fire sprinkler systems have proven to be a solution to saving lives and property from fire. Death rates and property loss are significantly reduced when these systems are properly installed. There is no maintenance involved with a flow-through sprinkler system in a one- or two-family residence, because water in the sprinkler system circulates every time the domestic water is used.

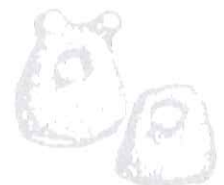
We respectfully request that the bill be amended to include owners of existing high-rise residential buildings, inclusive of it being mandatory. Implementation of several alternatives, including providing incentives to reduce fire sprinkler costs will help make the installation of fire sprinklers reach an achievable outcome.

Life, safety, and property protection are the top priorities for the SFC and the KFD. The life-saving benefits of residential fire sprinklers will endure for future generations of occupants and owners of sprinklered residential property.

The SFC and the KFD urge your committee's support on the passage of HB 1757.

www.kauai.gov

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An Equal Opportunity Employer



The Honorable Roy Takumi, Chair

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January 29, 2020

Should you have questions, please contact KFD Fire Prevention Captain Darryl Date at 241-4982 or ddate@kauai.gov.

Sincerely,



Robert F. Westerman
Fire Chief

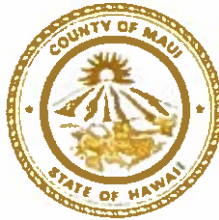
RFW/LR:st



MICHAEL P. VICTORINO
Mayor

DAVID C. THYNE
Fire Chief

BRADFORD K. VENTURA
Deputy Fire Chief



DEPARTMENT OF FIRE & PUBLIC SAFETY
COUNTY OF MAUI
200 DAIRY ROAD
KAHULUI, HI 96732

January 29, 2020

The Honorable Roy Takumi, Chair
Committee on Consumer Protection and Commerce
House of Representatives
State Capitol, Room 320
Honolulu, HI 96813

Dear Chair Takumi:

Subject: House Bill (HB) 1757 Relating to Fire Protection

I am David C. Thyne, member of the Hawaii State Fire Council (SFC) and Fire Chief of the Maui Fire Department (MFD). The SFC and the MFD support HB 1757, which establishes a nonrefundable income tax credit of 30% of the total cost of an automatic fire sprinkler system for an owner in any new or existing detached one- or two-family dwelling or in a condominium or apartment unit.

According to the National Fire Protection Association's latest U.S. data, 92% of civilian fire deaths resulted from home structure fires. Few fatal home fires involve installed features of homes and usually involve the actions and errors of the occupants combined with the vulnerabilities of products brought into the home. Research conducted by the National Institute of Standards and Technology has shown that home fires become deadly in as little as three minutes. New and old homes alike are filled with these newer contents and furnishings, which provide less of a margin of success for smoke alarms and add to the need of fire sprinklers. Modern lightweight home construction products, especially wood truss roof systems and wood joists, can rapidly fail under fire conditions, which is an extreme risk to fire fighters responding to a fire. Automatic fire sprinkler systems have proven to be a solution to saving lives and property from fire. Death rates and property loss are significantly reduced when these systems are properly installed. There is no maintenance involved with a flow-through sprinkler system in a one- or two-family residence, because water in the sprinkler system circulates every time the domestic water is used.

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The recent fire on Hibiscus Drive on January 19, 2020, highlights the dangers of fire in a single family home that is not equipped with a residential sprinkler system. Since 2009, both national building codes and fire codes have required residential sprinklers in new one- and two-family dwellings.

We respectfully request that the bill be amended to include owners of existing high-rise residential buildings, inclusive of it being mandatory. Implementation of several alternatives, including providing incentives to reduce fire sprinkler costs will help make the installation of fire sprinklers reach an achievable outcome.

Life, safety, and property protection is the top priority of the SFC and the MFD. The live-savings benefits of residential fire sprinklers will endure for future generations of occupants and owners of sprinklered residential property.

The SFC and MFD urge your committee's support on the passage of HB 1757.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at (808) 723-7176 and sbratakos@honolulu.gov.

Sincerely,



DAVID C. THYNE
Fire Chief

HB-1757

Submitted on: 1/27/2020 5:10:24 PM

Testimony for CPC on 1/30/2020 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jane Sugimura	Hawaii Council for Assoc. of Apt. Owners	Comments	No

Comments:

The recently enacted Fire Safety Ordinance (2018) by the City & County of Honolulu requires certain high-rise residential buildings to pass a Life Safety Examination or install fire sprinklers in their units and buildings. The tax credit proposed by this bill should also be available to the unit owners in high-rise residential buildings that may have to install fire sprinklers in their units, and the bill should be amended accordingly. .

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Fire Sprinklers

BILL NUMBER: HB 1757; SB 2131

INTRODUCED BY: HB by SAIKI by request; SB by KOUCHI by request (State Fire Council)

EXECUTIVE SUMMARY: Establishes a tax credit of 30% of the actual cost, including installation, materials, water and permitting fees, and any related charges, of an automatic fire sprinkler system in any one- and two-family dwelling in a structure used only for residential purposes. Sunsets 6/30/2030. 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: Adds a new section to chapter 235, HRS, to establish the credit. Any qualifying taxpayer who owns and occupies a dwelling unit and files an individual income tax return for a taxable year may claim the credit against Hawaii individual income tax. The credit applies to an automatic fire sprinkler or automatic fire sprinkler system that the taxpayer installs and places in service during the taxable year in any new detached one- or two-family dwelling unit in a building that is used solely for residential purposes. 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 \$5,000. If the installation of the sprinkler is mandated by State or county law, then no credit shall be allowed.

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 the credit is claimed.

The credit is not refundable but may be carried forward 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.

EFFECTIVE DATE: This Act shall take effect upon its approval and shall: (1) Apply to taxable years beginning after December 31, 2019; and (2) Be repealed on June 30, 2030.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of

whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse? If lawmakers want to subsidize the purchase of this type of equipment, then a direct appropriation would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested 1/28/2020



**HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
State Capitol, Conference Room 329
415 South Beretania Street
2:30 PM**

January 30, 2020

RE: HOUSE BILL NO. 1757, RELATING TO RELATING TO FIRE PROTECTION

Chair Takumi, Vice Chair Ichiyama, and members of the committee:

My name is Dwight Mitsunaga, 2020 President 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. Our members build the communities we all call home.

BIA-Hawaii offers the following comments on H.B. 1757, which proposes to establish a tax credit of 30% of the actual cost or \$5,000 whichever is lower, including installation, materials, water and permitting fees, and any related charges, of an automatic fire sprinkler system in any new one- and two-family dwelling in a structure used only for residential purposes.

We understand the desire to provide financial assistance to homeowners who need to pay for the retrofit or installation of automatic fire sprinkler systems. A study conducted by the National Association of Home Builders (NAHB) found that a \$1,000 increase in the median new home price would price 127,560 U.S. households out of the market. In other words, 127,560 households would qualify for the new home mortgage before the change, but not afterwards.

In the 2020 Legislative Session, both Chambers of the Hawaii State Legislature, and Governor Ige's Administration put forward a comprehensive package of bills to improve the quality of life for Hawaii's middle class families. A large part of the package attempted to address housing affordability. Allowing for mandating fire sprinklers will raise the cost of housing.

We appreciate the opportunity to express our views on this matter.

tel. 808-629-7501
fax. 808-629-7701

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