

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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February 19, 2020

The Honorable Donovan Dela Cruz, Chair
Committee on Ways and Means
The State Senate
State Capitol, Room 208
Honolulu, Hawaii 96813

Dear Chair Dela Cruz:

Subject: Senate Bill (SB) 2131, Senate Draft (SD) 1 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 2131, SD 1, 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 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 dwelling, because water in the sprinkler system is interconnected with and circulates every time the domestic water is used.

The Honorable Donovan Dela Cruz, Chair
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The following is a comparison of fires in the City and County of Honolulu from 2006 to 2015:

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	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 fire sprinkler system. Since 2009, national building and fire codes have required residential fire 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 SB 2131, SD 1.

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

Sincerely,

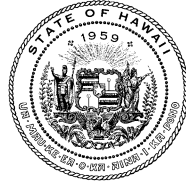


MANUEL P. NEVES
Chair

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 NO: (808) 587-1540
FAX NO: (808) 587-1560

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

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

From: Rona M. Suzuki, Director
Department of Taxation

Re: S.B. 2131, S.D. 1, Relating to Fire Protection

Date: Thursday, February 20, 2020

Time: 1:00 P.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) offers the following comments on S.B. 2131, S.D. 1.

S.B. 2131, S.D. 1, creates a new nonrefundable 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 an unspecified dollar amount, to include 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 the relevant automatic fire sprinkler system to be installed. S.B. 2131, S.D. 1, applies to taxable years beginning after December 31, 2020 and is repealed on June 30, 2030.

The Department notes that the Committee on Public Safety, Intergovernmental, and Military Affairs amended the previous version of this measure to set the credit as an unspecified dollar amount rather than a percentage of the taxpayer's total expenditures. If the intent of the Legislature is to make the credit equal to one hundred per cent of a taxpayer's costs up to a cap amount, the Department notes that one-hundred-per-cent credits are inefficient and can often lead to unexpected losses in revenue, as there is no incentive for taxpayers to minimize expenditures if the cost is below the cap. To promote efficiency, the Department suggests amending subsection (b) to read as follows:

(b) The tax credit may be claimed for an eligible automatic fire sprinkler system that is installed and placed in service by the taxpayer during the taxable year in any one- or two-family dwelling unit in a building that is used only for residential purposes. For each automatic sprinkler system, the

tax credit that may be claimed shall be equal
to _____ per cent of taxpayer's costs, including
installation, materials, water and permitting fees,
and any related charges, up to \$ _____ ; provided that:

The Department also notes that the measure contains no provision for apportionment when a fire sprinkler system is jointly purchased and installed by multiple owner/occupants or purchaser/installers. The Department recommends that the Committee amend the measure to state that multiple owners of a single sprinkler or sprinkler system shall be entitled to a single tax credit, apportioned between the owners in proportion to their contribution to the cost of the sprinkler system.

Finally, the Department appreciates the change made to the previous version of this measure delaying applicability and requests that it be maintained. This will allow the Department sufficient time to make the necessary form and computer system changes.

Thank you for the opportunity to provide comments.



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
Senate Committee on Ways and Means
February 20, 2020; 1:00 pm
Conference Room 211

In consideration of
Senate Bill 2131, Senate Draft (SD) 1
Relating to Fire Protection

Honorable Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The State Fire Council (SFC) and the Kaua'i Fire Department (KFD) **support** SB 2131, Senate Draft (SD) 1, 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 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 dwelling, because water in the sprinkler system is interconnected with and circulates every time the domestic water is used.

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

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The Honorable Donovan Dela Cruz, Chair

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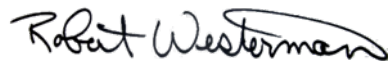
February 19, 2020

Life, safety, and property protection is the top priority 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 SB 2131, SD 1.

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

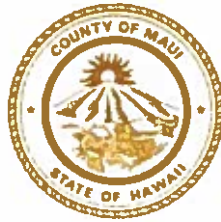
Sincerely,

A handwritten signature in black ink that reads "Robert Westerman". The signature is written in a cursive style with a long, sweeping underline.

Robert F. Westerman
Fire Chief

RFW/DD: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

February 19, 2020

LATE

The Honorable Donovan Dela Cruz, Chair
Committee on Ways and Means
The State Senate
State Capitol, Room 208
Honolulu, Hawaii 96813

Dear Chair Dela Cruz:

Subject: Senate Bill (SB) 2131, Senate Draft (SD) 1 Relating to Fire Protection

I am David C. Thyne, member of the Hawaii State Fire Council (SFC) and Fire Chief the Maui Fire Department (MFD). The SFC and the MFD support SB 2131, SD 1, which establishes a nonrefundable income tax credit of 30% of the total cost of an automatic fire sprinkler system of an owner in any new or existing detached one- or two-family dwelling 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 fire 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 one- or two-family dwelling, because water in the sprinkler system is interconnected with and circulates every time the domestic water is used.

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The Honorable Donovan Dela Cruz, Chair

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The SFC and MFD urge your committee's support on the passage of SB 2131, SD 1.

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

Sincerely,



DAVID C. THYNE
Fire Chief

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 2131, SD-1

INTRODUCED BY: Senate Committee on Public Safety, Intergovernmental, and Military Affairs

EXECUTIVE SUMMARY: Establishes a tax credit for the installation of an automatic fire sprinkler system in any one- and two-family dwelling in a structure used only for residential purposes.

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 no more than \$_____, 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 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, 2020; 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 2/18/2020