

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



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DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Lorraine R. Inouye, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Water and Land

From: Isaac W. Choy, Director
Department of Taxation

Date: Monday, February 7, 2022
Time: 1:00 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2860, Relating to Water Conservation

The Department of Taxation (Department) appreciates the intent of S.B. 2860 and offers the following comments for the committee's consideration.

S.B. 2860 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), creating a new refundable tax credit of \$100 for each qualified taxpayer who installs or has installed a water catchment system with a minimum capacity of one thousand gallons on a residential property owned by the qualified taxpayer within the State. The credit applies to taxable years beginning after December 31, 2022.

The Department notes that as currently drafted, the definition of "qualified taxpayer" would allow the credit for any water catchment system *ever* installed by that taxpayer, as long as the minimum capacity and residential property ownership requirements were met. To avoid unintended losses in revenue, the Department recommends amending the definition of "qualified taxpayer" so that the water catchment system must be installed and placed in service during the taxable year in order to qualify. Similarly, the Committee may wish to consider limiting the credit to one per qualified taxpayer.

The Department also notes that 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.

Finally, notwithstanding the recommendations above, the Department is able to implement the measure with its current effective date. Thank you for the opportunity to provide testimony.

SB-2860

Submitted on: 2/4/2022 9:09:16 PM

Testimony for WTL on 2/7/2022 1:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Gerard Silva	Individual	Oppose	No

Comments:

Leave the People alon Before it is to Late.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WATER AND LAND
ON
SENATE BILL NO. 2860

February 7, 2022
1:00 p.m.
Room 229 and Videoconference

RELATING TO WATER CONSERVATION

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2860 adds a new section to Chapter 235, HRS, that establishes a refundable income tax credit of \$100 for taxpayers who install or has installed a water catchment system with a minimum capacity of 1,000 gallons on a residential property located in the State that is owned by the taxpayer.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.

DAVID Y. IGE
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HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the Senate Committee on
WATER AND LAND**

**Monday, February 7, 2022
1:00 PM**

State Capitol, Conference Room 229 & Videoconference

**In consideration of
SENATE BILL 2860
RELATING TO WATER CONSERVATION**

Senate Bill 2860 proposes to amend Chapter 235, Hawai‘i Revised Statutes, by adding a new section creating a refundable water catchment tax credit for homeowners who install a water catchment system meeting certain requirements on residential property in the State owned by the homeowners. **The Department of Land and Natural Resources (Department) supports this measure provided that its passage does not replace or adversely impact priorities indicated in the Executive Supplemental Budget request and offers comments.**

The Department recognizes there are numerous opportunities for water conservation in all sectors of water use. On O‘ahu, the average per capita water use is estimated to be approximately 150 gallons per person per day (this includes all customer classes). According to the Honolulu Board of Water Supply, about half of a household’s water use is for outdoor activities.

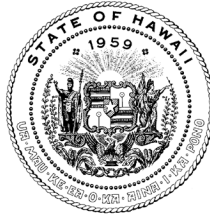
The Department’s Commission on Water Resource Management’s Water Resource Protection Plan and Hawaii Water Conservation Plan (<http://files.hawaii.gov/dlnr/cwrm/planning/hwcp2013.pdf>) endorses and supports demand-side (customer) water conservation programs. The Hawai‘i Water Conservation Plan recognizes rebate programs offered by the municipal water departments as a proven and effective way to reach its customers and reduce their water demands and water bills. For example, rain barrel, smart irrigation timer, and high-efficiency toilet rebates or direct replacement programs offered by water purveyors have been shown to be effective and less cumbersome for the water customer to participate in. Currently, the Honolulu Board of Water Supply, County of Maui Department

of Water Supply and County of Hawai'i Department of Water Supply have a rebate, direct replacement or giveaway program for water conservation. While a tax credit is not identified as one of the recommended programs in the Hawai'i Water Conservation Plan, we support the intent to incentivize water conservation efforts for Hawai'i residential property owners that may not be customers of the county water systems named above.

The Department also notes that the amount of refundable tax credit offered in this measure may not be an adequate incentive for a residential property owner to participate since the cost of a commercially available 1,000-gallon plastic water tank alone can be approximately \$2,000 - \$3,000. Delivery, other material and supply costs, as well as labor, will add to the total catchment system price.

Thank you for the opportunity to comment on this measure.

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SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

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