

---

# A BILL FOR AN ACT

RELATING TO CESSPOOLS.

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

1 SECTION 1. The purpose of this Act is to offer financial  
2 assistance to owners of cesspools who:

3 (1) Upgrade or convert a qualified cesspool to a  
4 wastewater system approved by the director of health;  
5 or

6 (2) Connect a qualified cesspool to a sewerage system,  
7 by establishing a cesspool upgrade, conversion, or connection  
8 income tax credit.

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

12 "§235- Cesspool upgrade, conversion, or connection  
13 income tax credit. (a) There shall be allowed to each taxpayer  
14 subject to the tax imposed under this chapter, a cesspool  
15 upgrade, conversion, or connection income tax credit that shall  
16 be deductible from the taxpayer's net income tax liability, if



1 any, imposed by this chapter for the taxable year in which the  
2 credit is properly claimed.

3 (b) In the case of a partnership, S corporation, estate,  
4 or trust, the tax credit allowable is for qualified expenses  
5 incurred by the entity for the taxable year. The qualified  
6 expenses upon which the tax credit is computed shall be  
7 determined at the entity level. Distribution and share of  
8 credit shall be determined by rule.

9 (c) The cesspool upgrade, conversion, or connection income  
10 tax credit shall be equal to the qualified expenses of the  
11 taxpayer, up to a maximum of \$ \_\_\_\_\_; provided that, in the  
12 case of a qualified cesspool that is a residential large  
13 capacity cesspool, the amount of the credit shall be equal to  
14 the qualified expenses of the taxpayer, up to a maximum of  
15 \$ \_\_\_\_\_ per residential dwelling connected to the qualified  
16 cesspool, as certified by the department of health pursuant to  
17 subsection (e). There shall be allowed a maximum of one  
18 cesspool upgrade, conversion, or connection income tax credit  
19 per qualified cesspool. The cesspool upgrade, conversion, or  
20 connection income tax credit shall be available only for the



1 taxable year in which the taxpayer's qualified expenses are  
2 certified by the appropriate government agency.

3 (d) The total amount of tax credits allowed under this  
4 section shall not exceed \$ \_\_\_\_\_ for all taxpayers in any  
5 taxable year; provided that any taxpayer who is not eligible to  
6 claim the credit in a taxable year due to the \$ \_\_\_\_\_ cap  
7 having been exceeded for that taxable year shall be eligible to  
8 claim the credit in the subsequent taxable year.

9 (e) The department of health shall:

10 (1) Certify all qualified cesspools for the purposes of  
11 this section;

12 (2) Collect and maintain a record of all qualified  
13 expenses certified by an appropriate government agency  
14 for the taxable year; and

15 (3) Certify to each taxpayer the amount of credit the  
16 taxpayer may claim; provided that if, in any year, the  
17 annual amount of certified credits reaches  
18 \$ \_\_\_\_\_ in the aggregate, the department of health  
19 shall immediately discontinue certifying credits and  
20 notify the department of taxation.



1 The director of health may adopt rules under chapter 91 as  
2 necessary to implement the certification requirements under this  
3 section.

4 (f) The director of taxation:

5 (1) Shall prepare any forms that may be necessary to claim  
6 a tax credit under this section;

7 (2) May require the taxpayer to furnish reasonable  
8 information to ascertain the validity of the claim for  
9 the tax credit made under this section; and

10 (3) May adopt rules under chapter 91 necessary to  
11 effectuate the purposes of this section.

12 (g) If the tax credit under this section exceeds the  
13 taxpayer's income tax liability, the excess of the credit over  
14 liability may be used as a credit against the taxpayer's income  
15 tax liability in subsequent years until exhausted. All claims  
16 for the tax credit under this section, including amended claims,  
17 shall be filed on or before the end of the twelfth month  
18 following the close of the taxable year for which the credit may  
19 be claimed. Failure to comply with the foregoing provision  
20 shall constitute a waiver of the right to claim the credit.



1        (h) This section shall not apply to taxable years beginning  
2 after December 31, 2028.

3        (i) As used in this section:

4        "Cesspool" has the same meaning as in section 342D-72.

5        "Qualified cesspool" means a cesspool that is:

6        (1) Certified by the department of health to be:

7            (A) Located within:

8                    (i) Five hundred feet of a shoreline, perennial  
9                    stream, or wetland; or

10                   (ii) A source water assessment program area (two  
11                   year time of travel from a cesspool to a  
12                   public drinking water source);

13            (B) Shown to impact drinking water supplies or  
14            recreational waters; or

15            (C) A residential large capacity cesspool; or

16        (2) Certified by a county or private sewerage company to  
17        be appropriate for connection to its existing sewerage  
18        system.

19        "Qualified expenses" means costs that are necessary and  
20 directly incurred by the taxpayer for upgrading or converting a  
21 qualified cesspool into a wastewater system approved by the



1 director of health, or connecting a qualified cesspool to a  
2 sewerage system, and that are certified as such by the  
3 department of health.

4 "Residential large capacity cesspool" means a cesspool that  
5 is connected to more than one residential dwelling.

6 "Sewerage system" means a system of piping, with  
7 appurtenances, for collecting and conveying wastewater from  
8 source to discharge following treatment.

9 "Wastewater" means any liquid waste, whether or not treated  
10 and whether animal, mineral, or vegetable, including  
11 agricultural, industrial, and thermal wastes."

12 SECTION 3. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on July 1, 2023, and  
14 shall apply to taxable years beginning after December 31, 2023;  
15 provided that this Act shall be repealed on December 31, 2028.



**Report Title:**

Income Tax Credit; Cesspool Upgrade, Conversion, or Connection

**Description:**

For taxable years beginning after 12/31/2023, provides a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a wastewater system approved by the Director of Health, or connecting to a sewerage system. Sunsets 12/31/2028. (SD1)

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

