

STAND. COM. REP. NO.

1383

Honolulu, Hawaii

MAR 24 2023

RE: H.B. No. 351
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 351, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a nonrefundable income tax credit for owners of condominium units whose association is increasing maintenance fees to comply with a county ordinance requiring an automatic fire sprinkler system or alternative fire prevention and fire safety system.

Your Committee received testimony in support of this measure from four individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that due to a City and County of Honolulu ordinance, certain condominiums are required to make fire safety upgrades unless the condominium meets specified exceptions. These fire safety upgrades can cost a condominium association millions of dollars and, as a result, force it to drastically increase its maintenance fees on the unit owners. This measure will provide some financial relief to condominium unit owners who have incurred extra maintenance fees to make their condominiums safer.



Your Committee notes the concerns raised in testimony that condominium boards can also raise money for fire safety upgrades by imposing special assessments on unit owners; however, this measure as currently drafted provides tax credits for increases in maintenance fees only. Your Committee also notes the testimony of the Department of Taxation, proposing amendments that would facilitate the administration of the tax credit created by this measure. Therefore, amendments to this measure are necessary to address these matters.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that the tax credit established by this measure shall also apply to a qualified taxpayer who is an owner of a unit whose condominium association is imposing a special assessment to comply with a county ordinance requiring an automatic sprinkler system or alternative fire prevention and fire safety system;
- (2) Inserting language requiring the Department of Taxation to certify the tax credits established by this measure;
- (3) Inserting language to apply the tax credit to taxable years beginning after December 31, 2023; and
- (4) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 351, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 351, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



1283

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



JARRETT KEOHOKALOLE, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* HB351 HD2	Committee Referral: CPN, WAM	Date: 03/15/2023		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)				✓
MCKELVEY, Angus L.K.		✓		
RICHARDS, III, Herbert M. "Tim"		✓		
AWA, Brenton	✓			
TOTAL	2	2	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes