



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I**  
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**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the**  
**Senate Committee on Commerce and Consumer Protection**  
**Tuesday, February 7, 2023**  
**9:15 a.m.**  
**State Capitol, Conference Room 229 and via Videoconference**

**On the following measure:**  
**S.B. 709, RELATING TO AN INCOME TAX CREDIT**

Chair Keohokalole and Members of the Committee:

My name is Gordon I. Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to establish a nonrefundable individual income tax credit for expenses paid to retrofit a residence with wind resistive devices.

We support the intent of encouraging consumers to adopt wind resistance retrofits. However, the Insurance Division lacks staff with appropriate expertise to undertake the duties assigned to the Insurance Division by this bill (see page 3, lines 9 to 16).

We take no position with respect to the remainder of this bill.

Thank you for the opportunity to testify.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
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STATE OF HAWAII  
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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 709, Relating to an Income Tax Credit

**BEFORE THE:**

Senate Committee on Commerce and Consumer Protection

**DATE:** Tuesday, February 7, 2023

**TIME:** 9:15 a.m.

**LOCATION:** State Capitol, Room 229

Chair Keohokalole, Vice-Chair Fukunaga, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 709 for your consideration.

S.B. 709 seeks to create a new one-time, nonrefundable individual income tax credit for expenses paid to retrofit a residence with wind resistive devices. The credit is the lesser of \$1,500 or the actual costs incurred by the individual for the wind resistance retrofit project. The Department of Commerce and Consumer Affairs (DCCA), Insurance Division, is responsible for pre-certifying the eligible retrofit credit costs before retrofit work begins and shall cap the number of credits certified to 2,000 in the first year of eligibility and 4,000 in the second year of eligibility.

The measure is effective upon approval and applies to taxable years beginning after December 31, 2023.

First, in order to properly implement and administer this measure, the Department suggests adding definitions for "wind resistance retrofit project" and "wind resistance standards."

Second, because the bill includes a cap for the first and second year of eligibility, but caps for subsequent years are not indicated, the Department suggests clarifying

Department of Taxation Testimony  
S.B. 709  
February 7, 2023  
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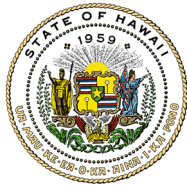
whether the credit will sunset after the second year or whether it will no longer be subject to a cap.

Third, the Department defers to DCCA on its ability to certify this credit, but respectfully requests that a third-party certification requirement be maintained, as the Department lacks subject-matter expertise to determine eligibility for and to administer this credit.

Finally, the Department notes that it is able to administer the bill with its current effective date.

Thank you for the opportunity to provide comments on this measure.

**JOSH GREEN, M.D.**  
GOVERNOR  
KE KIA'ĀINA



**KENNETH S. HARA**  
MAJOR GENERAL  
ADJUTANT GENERAL  
DIRECTOR OF EMERGENCY  
MANAGEMENT

**JAMES DS. BARROS**  
ADMINISTRATOR OF  
EMERGENCY MANAGEMENT

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAI'I  
**DEPARTMENT OF DEFENSE**  
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STATE OF HAWAI'I  
DEPARTMENT OF DEFENSE  
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON SENATE BILL 709  
RELATING TO AN INCOME TAX CREDIT

BEFORE THE SENATE COMMITTEE ON **COMMERCE AND CONSUMER PROTECTION**

BY

JAMES DS. BARROS  
ADMINISTRATOR  
HAWAI'I EMERGENCY MANAGEMENT AGENCY

FEBRUARY 3, 2023

Aloha Chair Keohokalole, Vice-Chair Fukunaga, and members of the committee:

I am James Barros, Administrator of the Hawai'i Emergency Management Agency (HI-EMA).

HI-EMA provides written testimony to **OFFER COMMENT** on SB709.

This measure establishes an individual income tax credit for expenses paid to retrofit a residence with wind resistive devices.

Hurricanes pose one of the highest-risk hazards to our State, and many older homes lack protective structural elements that have been proven to reduce the severity of damage from hurricane winds such as Hawai'i experienced in storms such as Hurricane Iniki.

SB709 would establish a tax credit to offset the cost of structural improvements that would protect life and property during such storms and other high winds. HI-EMA encourages Hawai'i residents to install retrofit improvements to their homes where possible and appropriate, and this tax credit would provide an incentive to do so.

We believe encouraging retrofits is an important step in improving the state's resiliency and better protecting its people

We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Thank you for the opportunity to provide testimony.

James Barros: [james.barros@hawaii.gov](mailto:james.barros@hawaii.gov); 808-733-4300

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Credit for Wind Resistance Retrofit

BILL NUMBER: HB 753, SB 709

INTRODUCED BY: HB by ICHIYAMA, AIU, AMATO, COCHRAN, GARRETT, GATES, HASHEM, HASHIMOTO, HOLT, HUSSEY-BURDICK, KAPELA, KILA, KITAGAWA, LOWEN, MARTEN, MARTINEZ, MATAYOSHI, MORIKAWA, NAKASHIMA, NISHIMOTO, PERRUSO, POEPOE, SAYAMA, TAKAYAMA, TAKENOUCI, TAM, TARNAS, TODD, SB by WAKAI, CHANG, MCKELVEY, Keith-Agaran

EXECUTIVE SUMMARY: Establishes a nonrefundable individual income tax credit for expenses paid to retrofit a residence with wind resistive devices.

SYNOPSIS: Adds a new section to chapter 235, HRS, to allow a one-time nonrefundable wind resistance retrofit tax credit. The credit amount will be \$1,500 or the actual costs incurred by the individual for the wind resistance retrofit project, whichever is less.

The taxpayer is to apply to the insurance commissioner to pre-certify eligible retrofit credit costs before the work begins.

The insurance division shall cap the number of credits certified to two thousand in the first year of eligibility and four thousand in the second year of eligibility.

Claims for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

The credit is nonrefundable but may be carried forward indefinitely until exhausted.

No individual that claims the tax credit under this section shall claim any other credit for the same expenses or costs.

EFFECTIVE DATE: Upon approval, applicable to taxable years beginning after December 31, 2023.

STAFF COMMENTS: The credit cap language is vague. As drafted, the language of the bill would appear to cap the number of applications. The “first year of eligibility” is also undefined and could be the subject of dispute.

Lawmakers need to remember two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. 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. The second point to remember about tax credits is that they 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 kind about the expenditure of these funds when students are roasting in our schools, or when there isn't enough money for social service programs?

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount compared to the loss in revenue from the credit, especially since the credit proposed is a very modest amount. A direct appropriation to subsidize those costs would be more accountable and transparent. That way, we taxpayers would know what we were buying and how much we were paying for it. A tax credit gives us none of this information.

Digested: 2/1/2023

**SB-709**

Submitted on: 2/5/2023 1:36:30 PM

Testimony for CPN on 2/7/2023 9:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

I support SB709.