

STAND. COM. REP. NO.

222

Honolulu, Hawaii

FEB 09 , 2023

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

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

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

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

begs leave to report as follows:

The purpose of this measure is to establish a nonrefundable income tax credit for persons who live in a condominium unit for which the association is increasing maintenance fees to cover the costs of complying with any county mandate for the installation of an automatic fire sprinkler system or alternative fire prevention and fire safety system.

Your Committee received testimony in support of this measure from the Palehua Townhouse Association, Parkland Gardens AOA, and four individuals. Your Committee received comments on this measure from the Department of Taxation, Hawaii Council of Associations of Apartment Owners, Tax Foundation of Hawaii, and one individual.

Your Committee finds that automatic fire sprinkler systems provide valuable protection to persons and their homes. However, your Committee further finds that a mandate to retrofit existing high-rise residential buildings imposes financial challenges on unit owners in these buildings. This measure will alleviate some of that financial burden, while promoting public safety.

2023-1213 HB351 HD1 HSCR HMSO



Your Committee notes the concerns raised in written testimony received by your Committee that the nonrefundable income tax credit is too restrictive, as it only applies to maintenance fees and not to special assessments. When confronted by a situation that requires an immediate need to raise funds, a condominium association may increase its maintenance fees or implement a special assessment. Your Committee finds that this meritorious concern warrants further discussion. Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to give consideration to this issue.

Your Committee has amended this measure by:

- (1) Specifying that the nonrefundable income tax credit is equal to the amount by which the maintenance fee was increased or the amount actually paid by the taxpayer, but not to exceed \$1,000;
- (2) Specifying that no more than one nonrefundable income tax credit may be claimed per unit;
- (3) Clarifying that the nonrefundable income tax credit is to be claimed in the taxable year in which the maintenance fee increase was imposed and paid;
- (4) Inserting a definition for "alternative fire prevention and fire safety system" and "automatic fire sprinkler system";
- (5) Changing the effective date to June 30, 3000, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendment for the purposes of clarity, consistency, and style.

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



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



MARK M. NAKASHIMA, Chair



