



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
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
Friday, January 31, 2025
9:30 a.m.
State Capitol, Conference Room 229 and via videoconference

On the following measure:
S.B. 697, RELATING TO AN INCOME TAX CREDIT

Chair Keohokalole and Members of the Committee:

My name is Gordon Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department supports 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.

The Insurance Division supports the intent to provide homeowners in Hawaii with a financial incentive, so they have the means and opportunity to undertake proactive measures in fortifying their homes against wind damage.

Thank you for the opportunity to testify on the bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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DEPARTMENT OF TAXATION

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 697, Relating to An Income Tax Credit.

BEFORE THE:

Senate Committee on Commerce and Consumer Protection

DATE: Friday, January 31, 2025

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 229

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

The Department of Taxation (DOTAX) respectfully offers the following comments regarding S.B. 697 for your consideration.

S.B. 697 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing a one-time nonrefundable Wind Resistance Retrofit Tax Credit for taxpayers who file individual tax returns to incentivize retrofitting residential structures to meet wind resistance standards.

The credit is the lesser of \$40,000 or the actual costs incurred for the wind resistance retrofit project. Any unused portion of the credit may be carried forward until exhausted. Claims must be filed within 12 months following the close of the year for which the costs were incurred.

Taxpayers must apply for pre-certification of eligible costs with the Department of Commerce and Consumer Affairs' (DCCA) Insurance Division before starting retrofit work. Standards for eligibility will be determined by the Insurance Commissioner through rules.

Certification is capped at 2,000 credits in the first year and 4,000 credits in the second year.

The bill is effective upon approval for taxable years after December 31, 2024.

First, DOTAX prefers including a limit on the carryforward period for credits, which will enable effective tracking of credits carried forward and mitigate potential abuse. Credit claims made farther away from the year in which costs are incurred are inherently more difficult to verify. DOTAX also recommends that the credit amount be amended to a percentage of eligible costs to avoid abuse and waste.

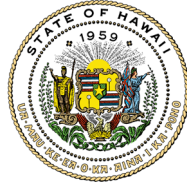
Second, DOTAX recommends a sunset provision on the measure since the bill's provision on annual credit caps already limits the credit availability to two years.

Third, DOTAX defers to DCCA on its ability to certify the credit, but requests that a third-party certification remain in the bill in the event DCCA is unable to certify the credit.

Finally, if this measure passes DOTAX requests it apply to taxable years after December 31, 2025, to allow for the necessary form, instruction, and system changes needed for implementation.

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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STEPHEN F. LOGAN
MAJOR GENERAL
ADJUTANT GENERAL
KA 'AKUKANA KENELALA

JAMES DS. BARROS
ADMINISTRATOR OF
EMERGENCY MANAGEMENT
KAHU HO'OMALU PŪULIA

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF DEFENSE
KA 'OIHANA PILI KAUA
HAWAI'I EMERGENCY MANAGEMENT AGENCY
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STATE OF HAWAI'I
DEPARTMENT OF DEFENSE
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON SENATE BILL 697,
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

JANUARY 31, 2025

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

Thank you for the opportunity to express our strong **SUPPORT** for Senate Bill 697. This important legislative measure proposes a non-refundable wind-resistant tax credit for taxpayers who invest in strengthening and hardening their residential properties.

The Hawai'i Emergency Management Agency endorses initiatives focused on retrofitting homes to enhance their resilience against hurricane winds. The potential impact of this bill aligns seamlessly with HIEMA's mission to promote community preparedness and safety. By incentivizing residents to fortify their homes, we can significantly reduce the risk of damage during severe weather events, ultimately protecting lives and property.

We support not only Senate Bill 697 but also any initiative aimed at empowering residents to strengthen their homes against potential threats. HIEMA supports this measure, with the understanding that its passage will not negatively impact the priorities outlined in the Executive Budget.

Thank you for the opportunity to provide a testimony in support of Senate Bill 697.

James Barros: james.barros@hawaii.gov; 808-733-4300

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX; Income Tax Credit for Wind Resistance Retrofit

BILL NUMBER: SB 697, HB 355

INTRODUCED BY: SB by GABBARD, CHANG, RHOADS; HB by BELATTI, GRANDINETTI, MATSUMOTO, PERRUSO, PIERICK, TAM, TODD, WARD

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 the lesser of \$40,000 or the actual costs incurred by the taxpayer for the wind resistance retrofit project.

The insurance commissioner will determine standards for eligibility of the tax credit. The taxpayer shall apply to the insurance division of the department of commerce and consumer affairs to pre-certify eligible retrofit credit costs before the retrofit work begins. The insurance division 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 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.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require proof for the tax credit claim, and may adopt rules pursuant to HRS chapter 91.

Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

EFFECTIVE DATE: Upon approval, applicable to taxable years beginning after December 31, 2024.

STAFF COMMENTS: While the idea of providing a tax credit to encourage measures to harden one's home against possible climate change damage may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few years is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are irresponsible as the cost of these credits

goes far beyond what was ever intended. A direct appropriation would be preferable to the tax credit as it would: (1) provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check. Think Hawaii Energy rebate program. A similar program definitely could fit here.

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.

A few technical comments for consideration:

- The credit cap language is vague. As drafted, the language of the bill would appear to cap the number of approved applications.
- The “year of eligibility” is undefined and could be the subject of dispute. Is it the year in which the precertification application is made? Is it the year in which construction work is complete, as evidenced by a closed building permit? What if the taxpayer requests a final inspection in year 1 but the inspector doesn't show up until year 2 (this issue has come up with the solar credit)?
- What happens to taxpayers whose application is first considered after the cap is reached? Is the taxpayer allowed to claim the credit in the subsequent year? Is the taxpayer denied in total? Some credit statutes provide that when a taxpayer can't be allowed a credit because an aggregate cap is exceeded, the taxpayer can come back in the following year.

Digested: 1/26/2025

Hawai'i State Legislature
Senate Committee on Commerce and Consumer Protection

January 28, 2025

Filed via electronic testimony submission system

RE: SB 697, Income tax credit - NAMIC's Testimony in support

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the January 31, 2025, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

The National Association of Mutual Insurance Companies consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write approximately \$391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance.

NAMIC's members commend the bill sponsors for introducing legislation to provide homeowners with a nonrefundable individual income tax credit for expenses paid by them to retrofit their residence with wind resistive devices. As Benjamin Franklin famously states, "an ounce of prevention is worth a pound of cure", so NAMIC and its members support state government leadership in providing citizens with tax incentives to assist them in engaging in reasonable and necessary personal risk mitigation activities to prevent or reduce the impact of natural disaster events on their families and communities. We encourage public officials and the Hawaii Insurance Division to adopt rules that are based on science, testing, and research and which will provide the greatest impact for the people of Hawaii.

For the aforementioned reasons, NAMIC respectfully requests that you VOTE Yes on SB 697.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,



Christian John Rataj, Esq.
NAMIC Senior Regional Vice President
State Government Affairs, Western Region

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

Friday, January 31, 2025
9:30 a.m.

SB 697

Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Chief Actuary & Chief Risk Officer for Island Insurance, Board Chair and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit association of property and casualty insurance companies licensed to do business in Hawaii. Members companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** this bill. This bill provides income tax credits up to \$40,000 for wind resistant retrofits with a cap as to the number of credits allowed. The tax credit amount is substantial and could incentivize homeowners to implement large retrofits or replacements of key components of their home, such as an aging roof. Since Hawaii has many asphalt single roofs that are older than 15 years, roof replacement will help many to fortify their homes in high winds and to make their homes more insurable.

Thank you for the opportunity to testify.

SB-697

Submitted on: 1/25/2025 10:12:23 AM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Donna P. Van Osdol	Individual	Support	Written Testimony Only

Comments:

I support this measure.

SB-697

Submitted on: 1/29/2025 8:04:34 AM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica Herzog	Individual	Support	Written Testimony Only

Comments:

I support SB 697, which establishes a nonrefundable individual income tax credit for expenses paid to retrofit residences with wind resistive devices. This bill promotes safety and sustainability, encouraging homeowners to invest in upgrades that protect their properties from wind damage. This initiative not only enhances individual property safety but also reduces overall community vulnerability during severe weather events.

SB-697

Submitted on: 1/29/2025 4:11:04 PM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Dr. Kioni Dudley	Individual	Support	Remotely Via Zoom

Comments:

Aloha Chair Keohokalole and members. I'm Dr. Kioni Dudley

Did you know that we don't have a single hurricane shelter on O'ahu?

We have 38 hurricane refuge areas.

We are not allowed to call the 38 places "shelters" because none of them has the qualifications required to be called a shelter. They will only hold up for a Category 1, possibly a Category 2 hurricane.

We are told that they are also "last resort" places to go. Stay away if you possibly can.

Emergency management agencies expect **200,000** people to need shelter in a Category 1 or 2 hurricane, but these 38 places only have room for 100,000 people. That means the other 100,000 people will have no place to go. Where will you go?

But that's not the worst of it. When a Category 3, 4, or 5 hits, none of the shelters will stand. We don't have a single shelter for a Cat 3, 4. Or 5. There's **no place for anyone** to go. What will you do? Where will your family go? Will you and they be among the thousands who die?

We have hundreds of thousands of homes in Hawaii that could be strengthened to withstand a Cat 5 hurricane. But people need an incentive. This bill would allow them to take a tax credit for their expense to fortify their house or apartment.

We have windows available now that will withstand 200 mph winds and debris. And we have a variety of cheaper window coverings. We have ties to hold the roof from blowing away. People just need the incentive to get to work on their houses.

This is the third year that we've had a bill like this before the legislature.

The seas are warming. Hurricanes are getting stronger. Category 5 hurricanes are coming. And we are right in the path. You have no place to go for shelter. Our people have no place to go. Thousands will die. If you don't want your family to die, pass this bill.