

Honolulu, Hawaii

FEB 12 2015

RE: S.B. No. 1272
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 1272 entitled:

"A BILL FOR AN ACT RELATING TO CESSPOOLS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a temporary income tax credit for the cost of converting a cesspool to a septic system or an aerobic treatment unit system or connecting a cesspool to a sewer system.

Your Committee received testimony in support of this measure from the Department of Health, Hawaii Farm Bureau, The Nature Conservancy, and Hawaii Association of REALTORS. Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and Land Use Research Foundation of Hawaii.

Your Committee finds that contamination from cesspools poses a risk to the water quality in ocean water, surface water, and groundwater. Converting cesspools to septic systems or aerobic treatment unit systems or connecting cesspools to sewer systems will protect the quality of the State's nearshore waters and drinking water supplies. However, there are significant costs associated with cesspool conversion. Implementation of this measure will ease the financial burden associated with cesspool conversions and incentivize cesspool owners to convert their cesspool systems.



Your Committee has amended this measure by:

- (1) Requiring a taxpayer, to be eligible for a cesspool conversion tax credit, to obtain verification from the county agency responsible for issuing installation permits and approval from that county agency that the installation meets the requirements for the cesspool conversion tax credit;
- (2) Authorizing the Director of Taxation to require evidence of county verification and approval from a taxpayer to ascertain the validity of the claim for a cesspool conversion tax credit; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1272, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1272, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,


MIKE GABBARD, Chair



Record of Votes
Committee on Energy and Environment
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*Only one measure per Record of Votes