

STAND. COM. REP. NO.

2667

Honolulu, Hawaii

MAR 03 2016

RE: S.B. No. 3084  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 3084 entitled:

"A BILL FOR AN ACT RELATING TO CESSPOOLS,"

begs leave to report as follows:

The purpose and intent of this measure is to disallow the tax credit for cesspool upgrade, conversion, or connection for taxpayers whose adjusted gross income exceeds certain amounts.

Your Committee received testimony in support of this measure from the Hawaii Cattlemen's Council, Hawaii Farm Bureau, and Ponoholo Ranch Limited.

Your Committee received comments on this measure from the Department of Health, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that, in order to reduce the contamination of groundwater, drinking water sources, streams, and the ocean caused by cesspool pollution, Act 120, Session Laws of Hawaii 2015, established a temporary income tax credit for taxpayers who upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or connect a qualified cesspool to a sewer system. The tax credit has an aggregate cap of \$5,000,000 per taxable year. Your Committee further finds that the intent of this measure is to ensure that taxpayers who are most in need of tax relief will be able to claim this credit.

SB3084 SD1 SSCR LRB 16-0964-1.doc



Your Committee believes that, as this measure moves forward, the Department of Taxation, in consultation with the Department of Health, should consider and make recommendations on how to mitigate the impact on taxpayers whose adjusted gross income levels are close enough to the disallowance threshold that their eligibility to claim the tax credit becomes uncertain. Your Committee further believes that the counties should also offer incentives for the upgrade, conversion, or connection of cesspools.

Your Committee has amended this measure by:

- (1) Clarifying that eligibility to claim the tax credit is based on a taxpayer's federal adjusted gross income, rather than state adjusted gross income; and
- (2) Changing the effective date to January 1, 2050, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3084, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3084, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
JILL N. TOKUDA, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB 3084</b>	Committee Referral: <b>WAM</b>	Date: <b>8/10/16</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between;"> <span><input type="checkbox"/> Pass, unamended 2312</span> <span><input checked="" type="checkbox"/> Pass, with amendments 2311</span> <span><input type="checkbox"/> Hold 2310</span> <span><input type="checkbox"/> Recommit 2313</span> </div>				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
CHUN OAKLAND, Suzanne				/
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUE, Lorraine R.	/			
RIVIERE, Gil		/		
TANIGUCHI, Brian T.				/
WAKAI, Glenn	/			
SLOM, Sam		/		
<b>TOTAL</b>	<b>7</b>	<b>2</b>		<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<div style="display: flex; justify-content: space-between; font-size: small;"> <span><b>Distribution:</b></span> <span>Original File with Committee Report</span> <span>Yellow Clerk's Office</span> <span>Pink Drafting Agency</span> <span>Goldenrod Committee File Copy</span> </div>				

\*Only one measure per Record of Votes