

DAVID Y. IGE  
GOVERNOR

DOUGLAS S. CHIN  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
830 PUNCHBOWL STREET, ROOM 221  
HONOLULU, HAWAII 96813  
<http://tax.hawaii.gov/>  
Phone: (808) 587-1540 / Fax: (808) 587-1560  
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Tom Brower, Chair  
and Members of the House Committee on Housing

Date: February 6, 2018  
Time: 9:30 A.M.  
Place: Conference Room 423, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 1789, Relating to Automatic Fire Suppression Systems.

The Department of Taxation (Department) appreciates the intent of H.B. 1789 and offers the following comments for your consideration.

H.B. 1789 establishes a new refundable tax credit for taxpayers who install automatic fire suppression systems in certain residences. A summary of key provisions are as follows:

- Adds a new section to Hawaii Revised Statutes (HRS) chapter 235, creating a refundable tax credit for every eligible automatic fire suppression system that is installed and placed in service during the taxable year in any new detached one or two-family dwelling unit that is in a structure used only for residential purposes;
- Sets the amount of the credit at twenty-five percent of the actual costs of the system, including installation costs;
- Clarifies that multiple owners of a single system will be entitled to only one tax credit, to be apportioned between the owners in proportion to their contributions to the cost of the system;
- Authorizes the Director of Taxation to require proof of the claim for the tax credit and to adopt rules pursuant to 91 to effectuate the purposes of the measure;
- Applies to taxable years beginning after December 31, 2017; and
- Will be repealed on June 30, 2025.

First, the Department notes the tax credit in this measure is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Second, the Department notes that the term “eligible automatic fire suppression system” is not defined. The Department suggests clarification on whether the legislature’s intent is for “eligible” to mean any fire suppression system installed in a one- or two-family residential dwelling in a residential structure, or if there are additional requirements to consider.

Third, the Department notes that the phrase “any new detached one- or two-family dwelling unit” is not defined. If the intent of the measure is to allow the credit for newly constructed dwelling units, the Department suggests specifying this with a construction completion date. For example, the credit could be made applicable to automatic fire suppression system which are installed and placed in service in a one or two-family dwelling unit that have not been previously occupied by any resident.

Finally, the Department respectfully request that the new tax credit be made applicable to taxable years beginning after December 31, 2018. The Department is in the process of implementing individual income tax into its new computer system and additional time will allow the Department to properly implement new tax features such as credits.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



LEONARD HOSHIJO  
ACTING DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813  
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Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

**LATE**

February 5, 2018

The Honorable Tom Brower, Chair  
Committee on Housing  
House of Representatives  
State Capitol, Room 315  
Honolulu, Hawaii 96813

Dear Chair Brower:

Subject: House Bill (HB) 1789 Relating to Automatic Fire Suppression Systems

I am Manuel P. Neves, Chair of the Hawaii State Fire Council (SFC) and Fire Chief of the Honolulu Fire Department (HFD). The SFC and the HFD support HB 1789, which establishes a refundable income tax credit of 25% of the total cost of an automatic fire suppression system in any new detached one- or two-family dwelling unit.

The Marco Polo condominium fire on July 14, 2017, highlights the dangers of fire in unsprinklered buildings. According to national and Hawaii fire data, fires in one- and two-family dwellings have the highest death rate of all occupancies. Automatic fire sprinkler systems have been proven to save lives and property and protect the environment. Death rates and property loss are substantially reduced when these systems are installed and properly maintained.

Concerns by condominium associations have brought to light the financial burden to property owners who want or may be required to retrofit automatic fire sprinklers. Since the cost to retrofit high-rise residential buildings could be several million dollars each and will be assessed to the owners, low interest loans could reduce their financial impact. Having multiple methods to reduce the sprinkler costs will help make the installation of fire sprinklers reach an achievable outcome.

Life, safety, and property protection is the top priority for the SFC and the HFD. The SFC sincerely appreciates the effort by the legislature to provide cost savings to our

The Honorable Tom Brower  
Page 2  
February 5, 2018

residents who live in unsprinklered high-rise buildings. The life-saving benefits of residential fire sprinklers will endure for future generations not only in high-rises, but in all sprinklered buildings.

The SFC and the HFD urge your committee's support on the passage of HB 1789.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at 723-7176 or [lrogers@honolulu.gov](mailto:lrogers@honolulu.gov).

Sincerely,



MANUEL P. NEVES  
Chair

MPN/LR:clc

# Hawai'i State Association of Counties (HSAC)

Counties of Kaua'i, Maui, Hawai'i and City & County of Honolulu

74-5044 Aie Keohokalole Highway, Bldg A., Kailua-Kona, HI 96740

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February 2, 2018

## TESTIMONY OF DRU KANUHA HSAC PRESIDENT

ON HB 1789, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS

Committee on Housing

Tuesday, February 6, 2018

9:30 a.m.

Conference Room 423

Aloha Chair Brower and Members of the Committee:

I thank you for the opportunity to testify on behalf of the Hawai'i State Association of Counties in **support** of House Bill 1789, relating to automatic fire suppression systems which is included in the 2018 HSAC Legislative Package.

The purpose of this measure is to establish a refundable income tax credit of twenty five percent of the total costs, including installation costs, of an automatic fire suppression system in any new detached one or two family dwelling unit in a structure used only for residential purposes.

Automatic fire suppression systems for one or two family dwelling units is rare in the State of Hawai'i. One reason for the scarcity is the cost of installation. This measure provides an incentive that is needed to promote installation of fire suppression systems in one or two family dwellings in the form of an income tax credit

HSAC supports this measure for the reasons stated above and we urge the Committee on Housing to support this measure as well. Should you have any questions, please feel free to call me at (808) 323-4267.

Mahalo for your consideration.

DRU KANUHA  
HSAC PRESIDENT

**VCOUNTY COUNCIL**

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Ross Kagawa, Vice Chair  
Arthur Brun  
Mason K. Chock  
Arryl Kaneshiro  
Derek S.K. Kawakami  
JoAnn A. Yukimura



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**Council Services Division**  
4396 Rice Street, Suite 209  
Lihu'e, Kaua'i, Hawai'i 96766

February 2, 2018

**TESTIMONY OF DEREK S.K. KAWAKAMI  
COUNCILMEMBER, KAUAI COUNTY COUNCIL  
ON**

**HB 1789, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS**

House Committee on Housing

Tuesday, February 6, 2018

9:30 a.m.

Conference Room 423

Dear Chair Brower and Members of the Committees:

Thank you for this opportunity to provide testimony in strong support of HB 1789, Relating to Automatic Fire Suppression Systems. My testimony is submitted as Vice President of the Hawai'i State Association of Counties, and in my individual capacity as a member of the Kaua'i County Council and Chair of the Council's Economic Development & Intergovernmental Relations Committee.

HB 1789, Relating to Automatic Fire Suppression Systems, is included in the 2018 Hawai'i State Association of Counties Legislative Package. This measure will provide an incentive to promote the installation of automatic fire suppression systems in new one- and two-family dwellings in the State. Automatic fire suppression systems will provide that extra second needed for everyone, especially the frail, elderly, and young children, to escape the peril associated with homes being engulfed in flames.

For the reasons stated above, I urge the House Committee on Housing to support this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

**DEREK S.K. KAWAKAMI**  
Councilmember, Kaua'i County Council

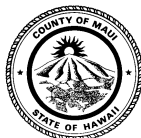
AMK:ct

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**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

February 4, 2018

TO: Honorable Tom Brower, Chair  
House Committee on Housing

FROM: Stacy Crivello, Secretary  
Hawaii State Association of Counties

A handwritten signature in cursive script, appearing to read "Crivello", is written over the name "Stacy Crivello" in the "FROM:" line.

SUBJECT: **HEARING OF FEBRUARY 6, 2018; TESTIMONY IN SUPPORT OF HB 1789, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to establish a refundable income tax credit of 25 percent of the total costs, including installation costs, of an automatic fire suppression system in any new detached one or two-family dwelling unit in a structure used only for residential purposes.

This measure is included in the Hawaii State Association of Counties' ("HSAC") Legislative Package; therefore, I offer this testimony as HSAC's Secretary.

I am aware that the President of HSAC has submitted testimony, on behalf of HSAC, in support of this measure. As Secretary, I concur with the testimony submitted by the President, and urge you to **support** this measure.

ocs:proj:legis:18legis:18testimony:hb1789\_paf18-036\_mcc



**LATE**

**HB-1789**

Submitted on: 2/5/2018 1:34:31 PM

Testimony for HSG on 2/6/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Debby Gatioan	County Fire Department	Support	No

Comments:

February 5, 2018

The Honorable Tom Brower, Chair

Committee on Housing

The State Senate

Hawai'i State Capitol, Room 315

Honolulu, Hawaii 96813

Dear Chair Brower:

Subject: House Bill (HB) 1789 Relating to Automatic Fire Suppression Systems

I am Robert Westerman, Chair of the Hawaii State Fire Council (SFC) and Fire Chief of



the Kauai Fire Department (KFD). The SFC and the KFD support HB 1789, which establishes a refundable income tax credit of 25% of the total costs of an automatic fire suppression system in any new detached one- or two-family dwelling unit.

The Marco Polo condominium fire on July 14, 2017, highlights the dangers of fire in unsprinklered buildings. According to national and Hawaii fire data, fires in one- and two-family dwellings have the highest death rate of all occupancies. Automatic fire sprinkler systems have been proven to save lives and property and protect the environment. Death rates and property loss are substantially reduced when these systems are installed and properly maintained.

Concerns by condominium associations have brought to light the financial burden to property owners who want or may be required to retrofit automatic fire sprinklers. Since

the cost to retrofit high-rise residential buildings could be several million dollars each and will be assessed to the owners, low interest loans could reduce their financial impact. Having multiple methods to reduce the sprinkler costs will help make the installation of fire sprinklers reach an achievable outcome.

The Honorable Brower, Chair

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February 5, 2018

Life, safety, and property protection is the top priority for the SFC and the KFD. The SFC sincerely appreciates the effort by the legislature to provide cost savings to our

residents who live in unsprinklered high-rise buildings. The life-saving benefits of residential fire sprinklers will endure for future generations not only in high-rises, but in all sprinklered buildings.

The SFC and the KFD urge your committee's support on the passage of HB 1789.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at 723-7176 or [lrogers@honolulu.gov](mailto:lrogers@honolulu.gov).

Sincerely,



Robert Westerman

Fire Chief, County of Kaua'i

RFW/dag

1065 Ahua Street  
Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 6, 2018

TO: HONORABLE TOM BROWER, CHAIR, HONORABLE NADINE NAKAMURA,  
VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON HOUSING

SUBJECT: **H.B. 1789, RELATING TO AUTOMATIC FIRE SUPPRESSION SYSTEMS.**  
Establishes a refundable income tax credit of 25% of the total costs, including installation costs, of an automatic fire suppression system in any new detached 1- or 2-family dwelling unit in a structure used only for residential purposes. Sunsets on 6/30/25.

Hearing

DATE: Tuesday, February 6, 2018  
TIME: 9:30 AM  
PLACE: Conference Room 423

Dear Chair Brower, Vice Chair Nakamura, and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

H.B. 1789 proposes to provide an incentive to install an automatic fire suppression system in any new detached one or two family dwelling unit that is used for residential purposes. The income tax credit would be equal to twenty five percent of the actual costs of the system, including installation. The income tax credit would sunset in June 2025

GCA understands the necessity of protection and safety in homes. GCA is opposed to mandates that would present a significant cost burden to homebuilders and homeowners alike. Instead, GCA encourages incentives that would encourage homebuilders and homeowners to install fire safety measures that would reduce the likelihood of fire hazards. This measure provides such incentives for homeowners to choose whether or not they would like to install a fire suppression system.

GCA is in support of H.B. 1789 and would respectfully request that this Committee pass this measure. Thank you for the opportunity to testify.



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WAIPAHU, HAWAII 96797  
P 808.847.4666

**Testimony to the House Committee on Housing**  
**Tuesday, February 6, 2018**  
**9:30 am**  
**State Capitol, Room 423**

**RE: HB 1789 – Relating to Fire Suppression Systems**

Chair Brower, Vice-Chair Nakamura, & members of the Committee:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII submits the following comments on H.B. 1789, which proposes to establish a refundable income tax credit of 25% of the total costs, including installation costs, of an automatic fire suppression system in any new detached 1- or 2-family dwelling unit in a structure used only for residential purposes.

We understand the desire to provide financial assistance to condominium associations whose members would need to pay for the retrofit or installation of automatic fire sprinkler systems. Our concern is that the source of funding the loans should not come from any tax revenues (i.e. income taxes, real property taxes, GET, etc.) as these public funds would be used to fund one segment of the construction industry as opposed to the industry as a whole.

Thank you for the opportunity to express our views on this matter.

**HB-1789**

Submitted on: 2/5/2018 9:21:24 AM

Testimony for HSG on 2/6/2018 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments: