

JAN 21 2022

A BILL FOR AN ACT

RELATING TO WATER RATIONING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Water rationing; income tax credit. (a) Each
5 individual or corporate taxpayer that files an individual or
6 corporate net income tax return for a taxable year may claim a
7 tax credit under this section against the Hawaii state
8 individual or corporate net income tax. The tax credit may be
9 claimed for every eligible water rationing system that is
10 installed and placed in service in the State by a taxpayer
11 during the taxable year. The tax credit may be claimed as
12 follows:

13 (1) For each rain barrel system: per cent of the
14 actual cost or the cap amount determined in subsection

15 (b);



1 (2) For each water catchment system: _____ per cent of
2 the actual cost or the cap amount determined in
3 subsection (b), whichever is less;

4 (3) For home water system efficiency upgrades: _____ per
5 cent of the actual cost or the cap amount determined
6 in subsection (b), whichever is less; and

7 (4) Dual-use piping systems: _____ per cent of the actual
8 cost or the cap amount determined in subsection (b),
9 whichever is less;

10 provided further that multiple owners of a single system shall
11 be entitled to a single tax credit; provided further that the
12 tax credit shall be apportioned between the owners in proportion
13 to their contribution to the cost of the system.

14 In the case of a partnership, S corporation, estate, or
15 trust, the tax credit allowable is for every eligible water
16 rationing system that is installed and placed in service in the
17 State by the entity. The cost upon which the tax credit is
18 computed shall be determined at the entity level. Distribution
19 and share of credit shall be determined pursuant to
20 administrative rule.



1 (b) The amount of credit allowed for each eligible water
2 rationing system shall not exceed the applicable cap amount,
3 which is determined as follows:

4 (1) For rain barrel systems, the cap amounts shall be:

5 (A) \$ _____ per system for single-family
6 residential property;

7 (B) \$ _____ per unit per system for multi-family
8 residential property; and

9 (C) \$ _____ per system for commercial property;

10 (2) For water catchment systems, the cap amounts shall be:

11 (A) \$ _____ per system for single-family
12 residential property;

13 (B) \$ _____ per unit per system for multi-family
14 residential property; and

15 (C) \$ _____ per system for commercial property;

16 and

17 (3) For home water system efficiency upgrades, the cap
18 amounts shall be:

19 (A) \$ _____ per system for single-family
20 residential property;



1 (B) \$ _____ per unit per system for multi-family
2 residential property; and

3 (C) \$ _____ per system for commercial property;
4 and

5 (4) For dual-use piping systems, the cap amounts shall be:

6 (A) \$ _____ per system for single-family
7 residential property;

8 (B) \$ _____ per unit per system for multi-family
9 residential property; and

10 (C) \$ _____ per system for commercial property.

11 (c) For the purposes of this section:

12 "Actual cost" means costs related to water rationing
13 systems under subsection (a), including accessories and
14 installation, but not including the cost of consumer incentive
15 premiums unrelated to the operation of the system or offered
16 with the sale of the system and costs for which another credit
17 is claimed under this chapter.

18 "Household use" means any use to which heated water is
19 commonly put in a residential setting, including commercial
20 application of those uses.



1 "Water rationing system" means a new system that reduces
2 the amount of water used by a residential or commercial entity.

3 (d) For taxable years beginning after December 31, 2005,
4 the dollar amount of any utility rebate shall be deducted from
5 the cost of the qualifying system and its installation before
6 applying the state tax credit.

7 (e) The director of taxation shall prepare any forms that
8 may be necessary to claim a tax credit under this section,
9 including forms identifying the system type of each tax credit
10 claimed under this section. The director may also require the
11 taxpayer to furnish reasonable information to ascertain the
12 validity of the claim for credit made under this section and may
13 adopt rules necessary to effectuate the purposes of this section
14 pursuant to chapter 91.

15 (f) If the tax credit under this section exceeds the
16 taxpayer's income tax liability, the excess of the credit over
17 liability may be used as a credit against the taxpayer's income
18 tax liability in subsequent years until exhausted, unless
19 otherwise elected by the taxpayer pursuant to subsection (g).
20 All claims for the tax credit under this section, including
21 amended claims, shall be filed on or before the end of the



1 twelfth month following the close of the taxable year for which
2 the credit may be claimed. Failure to comply with this
3 subsection shall constitute a waiver of the right to claim the
4 credit.

5 (g) Notwithstanding subsection (f), for any water
6 rationing system, an individual taxpayer may elect to have any
7 excess of the credit over payments due refunded to the taxpayer,
8 if:

9 (1) All of the taxpayer's income is exempt from taxation
10 under section 235-7(a)(2) or (3); or

11 (2) The taxpayer's adjusted gross income is \$20,000 or
12 less (or \$40,000 or less if filing a tax return as
13 married filing jointly);

14 provided that tax credits properly claimed by a taxpayer who has
15 no income tax liability shall be paid to the taxpayer; and
16 provided further that no refund on account of the tax credit
17 allowed by this section shall be made for amounts less than \$1.

18 A husband and wife who do not file a joint tax return shall
19 only be entitled to make this election to the extent that they
20 would have been entitled to make the election had they filed a
21 joint tax return.



1 The election required by this subsection shall be made in a
2 manner prescribed by the director on the taxpayer's return for
3 the taxable year in which the system is installed and placed in
4 service. A separate election may be made for each separate
5 system that generates a credit. An election once made is
6 irrevocable.

7 (h) To the extent feasible, using existing resources to
8 assist the water-rationing policy review and evaluation, the
9 department shall assist with data collection on the following
10 for each taxable year:

11 (1) The number of water rationing systems that have
12 qualified for a tax credit during the calendar year
13 by:

14 (A) System type; and

15 (B) Taxpayer type (corporate and individual); and

16 (2) The total cost of the tax credit to the State during
17 the taxable year by:

18 (A) System type; and

19 (B) Taxpayer type.



1 (i) This section shall apply to water rationing systems
2 that are installed and placed in service on or after July 1,
3 2022."

4 SECTION 2. New statutory material is underscored.

5 SECTION 3. This Act shall take effect upon its approval
6 and shall apply to taxable years beginning after December 31,
7 2021.

8

INTRODUCED BY: _____

A handwritten signature in black ink, appearing to be 'J. B.', is written over a horizontal line that extends to the right.

S.B. NO. 2654

Report Title:

Income Tax Credit; Water Rationing Systems

Description:

Establishes an income tax credit for water rationing systems.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

