### A BILL FOR AN ACT

RELATING TO WATER RESOURCES.

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

1	PART I			
2	SECTION 1. The legislature finds that only twenty-five per			
3	cent of water resources in the county of Maui are provided by			
4	the county. Seventy-five per cent of water resources are			
5	provided by private operators. The legislature believes that it			
6	is in the public interest to promote water access equity in the			
7	State.			
8	Accordingly, the purpose of this Act is to:			
9	(1) Establish an income tax credit to incentivize the			
10	voluntary relinquishment of private water systems;			
11	(2) Direct the attorney general to initiate eminent domain			
12	proceedings to acquire privately-owned water systems			
13	in certain areas; and			
14	(3) Appropriate moneys to the department of the attorney			
15	general to fund eminent domain proceedings to acquire			
16	private water systems.			

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1	PART II
2	SECTION 2. Chapter 235, Hawaii Revised Statutes, is
3	amended by adding a new section to be appropriately designated
4	and to read as follows:
5	" <u>§235-</u> Voluntary relinquishment of private water
6	systems; income tax credit. (a) There shall be allowed to each
7	taxpayer subject to the tax imposed under this chapter, a tax
8	credit that shall be deductible from the taxpayer's net income
9	tax liability, if any, imposed by this chapter for the taxable
10	year in which the credit is properly claimed.
11	(b) In the case of a partnership, S corporation, estate,
12	or trust, the tax credit allowable is for the assessed value of
13	a water system relinquished by the entity for the taxable year.
14	The assessed value upon which the tax credit is computed shall
15	be determined at the entity level. Distribution and share of
16	credit shall be determined by rule.
17	(c) The tax credit shall be equal to the value of a water
18	system, as assessed by county officials, relinquished by the
19	taxpayer to the county within which the water system is located.
20	(d) The director of taxation:

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1	(1)	Shall prepare any forms that may be necessary to claim		
2		a tax credit under this section;		
3	(2)	May require the taxpayer to furnish reasonable		
4		information to ascertain the validity of the claim for		
5		the tax credit made under this section; and		
6	(3)	May adopt rules under chapter 91 necessary to		
7		effectuate the purposes of this section.		
8	(e)	If the tax credit under this section exceeds the		
9	taxpayer's income tax liability, the excess of the credit over			
10	liability may be used as a credit against the taxpayer's income			
11	tax liability in subsequent years until exhausted. All claims			
12	for the tax credit under this section, including amended claims,			
13	shall be filed on or before the end of the twelfth month			
14	following the close of the taxable year for which the credit may			
15	be claimed. Failure to comply with the foregoing provision			
16	shall constitute a waiver of the right to claim the credit."			
17	PART III			
18	SECT	ION 3. The attorney general shall commence eminent		
19	domain pr	oceedings to acquire privately-owned water systems in		
20	counties having a population greater than one hundred thousand			
21	and less than two hundred thousand.			

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1	SECTION 4. In accordance with section 9 of article VII, of	
2	the Constitution of the State of Hawaii and sections 37-91 and	
3	37-93, Hawaii Revised Statutes, the legislature has determined	
4	that the appropriation contained in this Act will cause the	
5	state general fund expenditure ceiling for fiscal year 2024-2025	
6	to be exceeded by \$ , or per cent. The reasons	
7	for exceeding the general fund expenditure ceiling are that the	
8	appropriation made in this Act is necessary to serve the public	
9	interest and to meet the needs provided for by this Act.	
10	SECTION 5. There is appropriated out of the general	
11	revenues of the State of Hawaii the sum of \$ or so much	
12	thereof as may be necessary for fiscal year 2024-2025 for	
13	eminent domain proceedings to acquire privately-owned water	
14	systems in counties having a population greater than one hundred	
15	thousand and less than two hundred thousand.	
16	The sum appropriated shall be expended by the department of	
17	the attorney general for the purposes of this Act.	
18	PART IV	
19	SECTION 6. New statutory material is underscored.	
20	SECTION 7. This Act shall take effect upon its approval;	
21	provided that:	

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		INTRODUCED BY:
4		
3	(2)	Section 5 shall take effect on July 1, 2024.
2		December 31, 2023; and
1	(1)	Part II shall apply to taxable years beginning after

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#### Report Title:

Water Resources; DOTAX; Attorney General; Income Tax Credit; Condemnation; Eminent Domain; Appropriation; General Fund Expenditure Ceiling Exceeded

#### **Description:**

Establishes an income tax credit to incentivize the voluntary relinquishment of private water systems. Directs the Attorney General to commence eminent domain proceedings in certain counties. Appropriates moneys. Declares that the appropriation exceeds the state general fund expenditure ceiling for 2024-2025.

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