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# A BILL FOR AN ACT

RELATING TO WATER CONSERVATION.

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

1           SECTION 1. The legislature finds that Hawaii faces ongoing  
2 challenges related to water scarcity due to chronic drought  
3 conditions and increasing demands on its water resources.  
4 Promoting water conservation technologies, such as gray water  
5 recycling systems and atmospheric water generators, is essential  
6 for ensuring a sustainable and secure water future for the  
7 State.

8           Accordingly, the purpose of this Act is to encourage the  
9 installation and use of gray water recycling systems and  
10 atmospheric water generators in the State.

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

14           "§235-    Water conservation income tax credit. (a) There  
15 shall be allowed to each taxpayer subject to the tax imposed by  
16 this chapter, a water conservation income tax credit that shall  
17 be deductible from the taxpayer's net income tax liability, if



1 any, imposed by this chapter for the taxable year in which the  
2 credit is properly claimed.

3 (b) In the case of a partnership, S corporation, estate,  
4 or trust, the tax credit allowable shall be as provided under  
5 subsection (c) for the taxable year. The cost upon which the  
6 credit is computed shall be determined at the entity level.  
7 Distribution and share of the credit shall be determined  
8 pursuant to administrative rule. If a deduction is taken under  
9 section 179 (with respect to election to expense depreciable  
10 business assets) of the Internal Revenue Code, no tax credit  
11 shall be allowed for that portion of the qualified expense for  
12 which the deduction is taken.

13 (c) The amount of the tax credit shall be equal to:

14 (1) For each residential property in which an NSF/ANSI  
15 350-certified gray water recycling system or an  
16 atmospheric water generator that meets NSF P343 test  
17 results and component standards is installed and  
18 placed in service, twenty-five per cent of the cost of  
19 the installation or \$10,000, whichever is less; and  
20 (2) For each commercial property in which an NSF/ANSI  
21 350-certified gray water recycling system or an



1 atmospheric water generator that meets NSF P343 test  
2 results and component standards is installed and  
3 placed in service, twenty per cent of the cost of the  
4 installation or \$50,000, whichever is less.

5 (d) Notwithstanding subsection (c), a low-income homeowner  
6 who installs and places in service an NSF/ANSI 350-certified  
7 gray water recycling system or an atmospheric water generator  
8 that meets NSF P343 test results and component standards may  
9 qualify for a tax credit of thirty-five per cent of the cost of  
10 the installation or \$12,500, whichever is less.

11 (e) Beginning July 1, 2028, only atmospheric water  
12 generators that are fully NSF P343-certified shall be eligible  
13 for tax credits under this section.

14 (f) If the tax credit under this section exceeds the  
15 taxpayer's net income tax liability, the excess of the credit  
16 over liability may be used as a credit against the taxpayer's  
17 income tax liability in subsequent years until exhausted;  
18 provided that no credit forward may be claimed more than five  
19 years after the initial claim for credit is made under this  
20 section.

21 (g) The director of taxation shall:



- 1        (1) Prepare any forms necessary to claim a credit under  
2        this section;
- 3        (2) Require the taxpayer to furnish reasonable information  
4        to ascertain the validity of the claim for credit made  
5        under this section; and
- 6        (3) Adopt rules pursuant to chapter 91 necessary to  
7        effectuate the purposes of this section.
- 8        (h) All claims for the tax credit under this section,  
9        including amended claims, shall be filed on or before the end of  
10       the twelfth month following the close of the taxable year in  
11       which the water conservation system is placed in service.  
12       Failure to comply with this provision shall constitute a waiver  
13       of the right to claim the credit.
- 14       (i) For the purposes of this section:
- 15       "Atmospheric water generator" means a device that extracts  
16       water from ambient air humidity.
- 17       "Area median income" means the median income for each of  
18       the counties of Honolulu, Hawaii, Maui, and Kauai as determined  
19       by the United States Department of Housing and Urban  
20       Development, from time to time, and as adjusted by family size.



1 "Gray water" shall have the same meaning as defined in  
2 section 342D-1.

3 "Low-income homeowner" means a person with an ownership  
4 interest in the property who resides at the property as their  
5 principal residence and whose adjusted gross income is eighty  
6 per cent or less of the area median income.

7 "NSF/ANSI 350-certified" means certified to meet the  
8 National Sanitation Foundation/American National Standards  
9 Institute 350 certification for onsite residential and  
10 commercial water reuse treatment systems.

11 "NSF/ANSI 350-certified gray water recycling system  
12 effluent" means effluent from an NSF/ANSI 350-certified gray  
13 water recycling system that is used only for subsurface disposal  
14 or subsurface irrigation in compliance with department of health  
15 rules and recycle or reuse water guidelines.

16 "NSF P343" means the National Sanitation Foundation  
17 Protocol P343 - health and sanitation requirements for  
18 atmospheric water generators.

19 "NSF P343-certified" means certified to meet NSF P343 for  
20 atmospheric water generators.



1       "Water conservation system" means an NSF/ANSI 350-certified  
2 gray water recycling system or an atmospheric water generator  
3 that meets NSF P343 test results and component standards."

4       SECTION 3. (a) The department of business, economic  
5 development, and tourism shall establish a rebate program to  
6 incentivize the installation of gray water recycling systems and  
7 atmospheric water generators.

8       (b) Rebates shall be awarded as follows:

9       (1) For each residential property in which an NSF/ANSI 350  
10 certified gray water recycling system or an  
11 atmospheric water generator that meets NSF P343 test  
12 results and component standards is installed and  
13 placed in service, thirty per cent of the cost of the  
14 installation or \$7,500, whichever is less; and

15       (2) For each commercial property in which an NSF/ANSI  
16 350-certified gray water recycling system or an  
17 atmospheric water generator that meets NSF P343 test  
18 results and component standards is installed and  
19 placed in service, twenty-five per cent of the cost of  
20 the installation or \$35,000, whichever is less.



1 (c) A low-income homeowner who installs and places in  
2 service an NSF/ANSI 350-certified gray water recycling system or  
3 an atmospheric water generator that meets NSF P343 test results  
4 and component standards may qualify for a rebate of forty per  
5 cent of the cost of the installation or \$10,000, whichever is  
6 less.

7 (d) Beginning July 1, 2028, only atmospheric water  
8 generators that are fully NSF P343-certified shall be eligible  
9 for rebates under this section.

10 (e) The department of business, economic development, and  
11 tourism shall adopt rules pursuant to chapter 91 necessary to  
12 implement this section.

13 (f) For the purposes of this section, the definitions  
14 established in section 235- , Hawaii Revised Statutes, shall  
15 apply.

16 SECTION 4. (a) The state building code council shall  
17 adopt the International Association of Plumbing and Mechanical  
18 Officials' 2023 water efficiency and sanitation standard,  
19 incorporating provisions regulating the design, installation,  
20 and maintenance of gray water recycling systems and atmospheric  
21 water generators in the State.



1 (b) The state building code council shall adopt rules  
2 pursuant to chapter 91 necessary to implement this section.

3 SECTION 5. New statutory material is underscored.

4 SECTION 6. This Act shall take effect on July 1, 2050;  
5 provided that section 2 shall apply to taxable years beginning  
6 after December 31, 2025.



**Report Title:**

DOTAX; DBEDT; Water Conservation; Water Conservation Income Tax Credit; Graywater Recycling Systems; Atmospheric Water Generators; Rebate Program; State Building Code Council; Water Efficiency and Sanitation Standard

**Description:**

Incentivizes the installation and use of gray water recycling systems and atmospheric water generators in the State by establishing an income tax credit to be administered by the Department of Taxation. Requires the Department of Business, Economic Development, and Tourism to establish a rebate program. Requires the State Building Code Council to adopt certain standards on gray water recycling systems and atmospheric water generators in the State. Effective 7/1/2050. (SD1)

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