

JAN 17 2025

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that water is essential  
2 to life and flourishing local communities, yet some communities,  
3 such as portions of the Ka'ū region of Hawai'i island, lack  
4 access to municipal water infrastructure, leaving residents to  
5 rely on water catchment systems and water delivery services to  
6 meet their basic needs. Notably, areas that lack water  
7 resources are often highly impoverished, and a lack of water  
8 access can worsen preexisting economic precarity.

9           The legislature additionally finds that water catchment  
10 systems can be cost-effective, reliable, and safe and reduce  
11 consumer demand for fresh water. Water catchment systems can  
12 promote water conservation; mitigate flooding; and conserve  
13 energy needed to pump, treat, and transport fresh water for  
14 consumer use.

15           The purpose of this Act is to provide one alternative water  
16 source income tax credit to taxpayers who either install, place



1 into service, or repair a water catchment system or to taxpayers  
2 who purchase water delivery services.

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

6 "§235- Alternative water source tax credit. (a) Each  
7 taxpayer who files an individual income tax return for a taxable  
8 year may claim a refundable income tax credit equal to the  
9 lesser of:

- 10 (1) The costs of installing, placing into service, or  
11 repairing a water catchment system on a residential  
12 property located in the State that is owned by the  
13 taxpayer;
- 14 (2) The costs of purchasing water delivery services of at  
15 least two hundred fifty gallons of water during the  
16 taxable year to a residential property located in the  
17 State that is owned by the taxpayer; or
- 18 (3) \$500.

19 (b) A taxpayer shall be limited to claiming only one of  
20 the credit amounts in subsection (a) (1), (2), or (3). The tax  
21 credit claimed by a taxpayer pursuant to this section shall be



1 deductible from the taxpayer's net income tax liability, if any,  
2 for the tax year in which the tax credit is properly claimed.  
3 If the tax credit claimed by a taxpayer exceeds the amount of  
4 income tax payments due from the taxpayer, the excess of credits  
5 over payments due shall be refunded to the taxpayer; provided  
6 that tax credits properly claimed by an individual who has no  
7 income tax liability shall be paid to the individual; provided  
8 further that no refunds or payment on account of the tax credits  
9 allowed by this section shall be made for amounts less than \$1.

10 (c) All claims for a tax credit under this section,  
11 including any amended claims, shall be filed on or before the  
12 end of the twelfth month following the close of the taxable year  
13 for which the credit may be claimed. Failure to comply with the  
14 foregoing provision shall constitute a waiver of the right to  
15 claim the credit.

16 (d) The director of taxation shall prepare any forms that  
17 may be necessary to claim a tax credit under this section. The  
18 director may also require the taxpayer to furnish reasonable  
19 information to ascertain the validity of the claim for the  
20 credit and adopt rules, pursuant to chapter 91, necessary to  
21 implement this section.



1        (e) As used in this section:

2        "Water catchment system" means a system of catching  
3 rainwater from a surface and transporting it through a  
4 conveyance system to a storage container with a minimum capacity  
5 of one thousand gallons on a residential property located in the  
6 State that is owned by the taxpayer.

7        "Water delivery service" means a service that delivers  
8 fresh water to a residential property located in the State that  
9 is owned by the taxpayer."

10        SECTION 3. New statutory material is underscored.

11        SECTION 4. This Act, upon its approval, shall apply to  
12 taxable years beginning after December 31, 2025.

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INTRODUCED BY: 



# S.B. NO. 768

**Report Title:**

Alternative Water Source Income Tax Credit; Water Conservation;  
Water Catchment; Water Delivery Services

**Description:**

Creates an alternative water source income tax credit for taxpayers who install, place in service, or repair a water catchment system or who purchase water delivery services.

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