
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 climate change has
2 warmed ocean waters, which has shifted the spawning area for
3 hurricanes near Mexico farther north. This has caused
4 hurricanes, which historically have passed several hundred miles
5 south of the State, to follow paths aimed directly at the State.

6 The legislature further finds that the warmer ocean waters
7 have also strengthened the intensity of hurricanes; as a result,
8 hurricanes classified as Category 3, 4, and 5 have become
9 stronger and more frequent. This strengthening has led climate
10 change assessment models to modify predictions of Category 5
11 hurricanes with two hundred miles per hour sustained winds from
12 occurring every eight years to every year by 2080. These storms
13 are also expected to mostly occur in the northern Pacific, in
14 which Hawaii is located.

15 The legislature finds that when Hurricane Melissa hit
16 Jamaica in 2025, most of the houses on the island were made of
17 wood, and that thirty-six per cent of all the houses were either



1 badly damaged or destroyed. At the same time, many wooden
2 buildings lost their roofs and windows, but almost all concrete
3 buildings were left standing. The legislature finds that of the
4 roughly two hundred thousand stand alone houses in the State,
5 nearly all are made of wood. If a super Category 5 hurricane
6 were to hit the State, and if thirty-six per cent of these
7 houses were badly damaged or destroyed, that would be sixty-four
8 thousand homes badly damaged or destroyed, leaving roughly two
9 hundred thousand people homeless.

10 The legislature further finds that while it is commonly
11 perceived that the costs of building concrete structures are
12 much greater than the costs of building with wood, the costs are
13 quite close, and the benefits of building with concrete, such as
14 significantly cheaper energy bills, make it an affordable and
15 cost competitive choice.

16 The legislature recognizes that there are four common modes
17 of building with concrete in the State. Among them are building
18 with concrete brick, building with insulated concrete forms,
19 building with structural insulated concrete panels, and building
20 with poured concrete. The cost of building concrete homes in
21 the State is five to twelve per cent higher than the cost of



1 building with wood. However, this cost difference would be
2 lowered significantly if concrete house construction became more
3 common.

4 The legislature finds that concrete has several additional
5 advantages over wood. Utility costs for wood-framed houses are
6 \$0.10 per square foot per month, while they are \$0.03 per square
7 foot per month for concrete, a seventy per cent reduction in
8 energy use. Concrete has a lifespan of three hundred or more
9 years, as opposed to one hundred with wood. Concrete homes can
10 withstand three hundred miles per hour winds, whereas wood can
11 only withstand between one hundred twenty and one hundred fifty
12 miles per hour winds. In addition, wooden houses burn
13 immediately, whereas concrete has a four-hour fire resistance.

14 Rats and termites are also a persistent problem for wooden
15 houses in the State, unlike concrete homes. Concrete also
16 allows less than one-third of the sound intrusion that comes
17 with wooden walls.

18 The legislature additionally finds that glass windows and
19 sliding doors that can withstand two hundred miles per hour
20 winds are now being sold locally for forty per cent more than
21 regular windows. However, this cost difference would be lowered



1 significantly if these fortified windows and doors became more
2 common.

3 The legislature further finds that the increased risk of
4 hurricane damage poses a significant danger to the State. Many
5 of the State's refuge areas do not meet the standard to be
6 deemed hurricane shelters, with few areas able to withstand a
7 Category 2 hurricane. Additionally, the refuge areas are only
8 capable of sheltering one hundred thousand persons, but the
9 estimated demand could likely be two hundred thousand persons.

10 As a result, many residents will need to rely on their own
11 residence; however, many wooden homes are not constructed to
12 withstand even a Category 1 hurricane. The legislature believes
13 there is a deep moral obligation to the people of the State and
14 future generations for the State to encourage homeowners to
15 prepare their homes to withstand hurricanes with sustained winds
16 more than two hundred miles per hour.

17 The legislature also finds that the State imposes a general
18 excise tax on business activity, including the sale of newly
19 constructed residential housing and residential buildings, and
20 that any reduction in general excise tax liability under this



1 Act would apply only to new or incremental economic activity and
2 would not reduce existing tax revenues.

3 The legislature further finds that providing targeted tax
4 incentives to encourage the construction and retrofit of
5 hurricane-resilient residential structures will protect
6 residents of the State, reduce long-term disaster recovery
7 costs, and increase the resilience of the State's housing stock.

8 Accordingly, the purpose of this Act is to incentivize the
9 construction of new residential buildings and the retrofit of
10 existing residential structures that are capable of withstanding
11 extreme hurricane conditions, through targeted state tax
12 incentives tied to certified performance standards.

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

16 "**S235- Hurricane resistance retrofit tax credit. (a)**
17 There shall be allowed to each taxpayer who is not eligible to
18 be claimed as a dependent for federal or state income taxes by
19 another and who files an individual income tax return for a
20 taxable year, a one-time nonrefundable hurricane resistance



1 retrofit tax credit that shall be deductible from the taxpayer's
2 net income tax liability imposed by this chapter.

3 (b) The amount of the nonrefundable tax credit shall be
4 equal to fifty per cent of the actual costs incurred by the
5 taxpayer for:

6 (1) Retrofitting existing residential structures to
7 increase wind resistance, including but not limited to
8 the installation of wind-resistant windows, doors,
9 roofing systems, and related structural components
10 certified as capable of withstanding sustained wind
11 speeds of at least two hundred miles per hour;
12 (2) The purchase, installation, or construction, including
13 design and materials, of a hurricane shelter on the
14 taxpayer's property, certified by a licensed building
15 inspector or design professional; or
16 (3) Fortification of high-rise apartment and condominium
17 buildings or units therein in excess of applicable
18 building code standards, including costs for the
19 installation of wind-resistant windows, doors, roofing
20 systems, and related structural components certified



1 as capable of withstanding sustained wind speeds of at
2 least two hundred miles per hour.

3 (c) Certification of windows, doors, roofing systems,
4 related structural components, and hurricane shelters to
5 withstand sustained wind speeds of at least two hundred miles
6 per hour shall be provided to the department of taxation by a
7 licensed building inspector or design professional in a form
8 prescribed by the director of taxation.

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

15 (e) If the tax credit under this section exceeds the
16 taxpayer's net income tax liability, the excess of the tax
17 credit may be used as a credit against the taxpayer's income tax
18 liability in subsequent years until exhausted; provided that no
19 credit under this section may exceed a period of years.



1 (f) No taxpayer who claims the tax credit under this
2 section shall claim any other credit for the same expenses or
3 costs.

4 (g) The director of taxation:

5 (1) Shall prepare any forms that may be necessary to claim
6 a tax credit under this section;
7 (2) May require proof of the claim for the tax credit; and
8 (3) May adopt rules pursuant to chapter 91 to effectuate
9 the purposes of this section.

10 (h) For the purposes of this section, "hurricane shelter"
11 means a windowless room within a residence or within an
12 accessory building to a residence, designed and constructed to
13 withstand sustained wind speeds of at least two hundred miles
14 per hour and to resist impact from windborne debris; provided
15 that the room:

16 (1) Is not located in a flood zone, storm surge, or other
17 area susceptible to flooding;
18 (2) Is readily accessible to persons residing within the
19 residence; and
20 (3) Is designed and constructed pursuant to hurricane
21 standards that are, at a minimum, in compliance with:

1 (A) Federal Emergency Management Agency Publication
2 320 "Taking Shelter from the Storm: Building or
3 Installing a Safe Room for Your Home", March 2021
4 edition, as amended; and
5 (B) Federal Emergency Management Agency Publication
6 361 "Safe Rooms for Tornadoes and Hurricanes:
7 Guidance for Community and Residential Safe
8 Rooms", April 2021 edition, as amended."

9 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "**§237- Reduced rate; concrete residential development.**
13 (a) Notwithstanding section 237-13 to the contrary, beginning
14 January 1, 2027, there is hereby levied and shall be assessed
15 and collected a tax equivalent to half the rate that would have
16 applied pursuant to section 237-13 of the gross proceeds or
17 income received from the sale of a certified hurricane-resistant
18 residential project; provided that for a high-rise certified
19 hurricane-resistant residential project, the reduced rate of tax
20 under this section shall apply only to the portion of gross
21 proceeds or gross income attributable to the incremental cost of



1 windows, doors, roofing systems, and related structural
2 components that are certified to withstand sustained wind speeds
3 of at least two hundred miles per hour.

4 (b) Certification of windows, doors, roofing systems, and
5 related structural components to withstand sustained wind speeds
6 of at least two hundred miles per hour shall be provided by a
7 licensed building inspector or design professional to the
8 department of taxation in a form prescribed by the director of
9 taxation.

10 (c) For the purposes of this section:

11 "Certified hurricane-resistant residential project" means a
12 residential housing project that:

13 (1) Is newly constructed using a concrete structural
14 system, including but not limited to constructing with
15 concrete masonry unit, insulated concrete forms,
16 structural insulated concrete panels, or placed
17 concrete;

18 (2) Incorporates windows, doors, roofing systems, and
19 related structural components that are certified by a
20 licensed building inspector or design professional to
21 withstand sustained wind speeds of at least two



1 hundred miles per hour, and that have been installed
2 in accordance with applicable building codes and
3 approved plans; and

4 (3) Has written certification of compliance as required
5 under this section.

6 "High-rise" means a building classified as a high-rise
7 building under the applicable county building code."

8 SECTION 4. New statutory material is underscored.

9 SECTION 5. This Act, upon its approval, shall apply to
10 taxable years beginning after December 31, 2026; provided that
11 this Act shall be repealed on December 31, 2030.

12

INTRODUCED BY: Mike Gabbard



S.B. NO. 2884

Report Title:

Department of Taxation; Income Tax Credit; Hurricane Resistance Retrofit; General Excise Tax; Rate Reduction

Description:

Establishes a nonrefundable individual income tax credit for a certain percentage of expenses paid to retrofit a residence with wind resistive devices or to purchase, install, or construct, a hurricane shelter on the taxpayer's property. Reduces the general excise tax rate on the gross proceeds or income from the sale of a concrete certified hurricane-resistant residential project or certain hurricane-resistant components of a high-rise condominium. Applies to taxable years beginning after 12/31/2026. Sunsets 12/31/2030.

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

