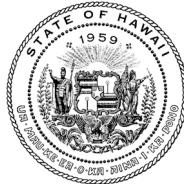


JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 2079, Relating to Cesspools

**BEFORE THE:**

House Committee on Energy & Environmental Protection

**DATE:** Thursday, February 5, 2026

**TIME:** 9:00 a.m.

**LOCATION:** State Capitol, Room 325

Chair Lowen, Vice-Chair Perruso, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2079 for your consideration.

H.B. 2079 adds a new section to chapter 235, Hawaii Revised Statutes (HRS) to provide a new, nonrefundable, income tax credit to an individual, partnership, S corporation, estate, or trust taxpayer for the cost of converting a cesspool to a septic system or to an aerobic treatment unit system, or for the cost of connecting a cesspool to a sewer system.

The credit amount is thirty-five percent of qualified expenses, subject to maximum caps per taxpayer, as follows:

- \$14,000 per cesspool upgrade or conversion to a septic system;
- \$17,500 per cesspool upgrade or conversion to an aerobic treatment unit system; and
- \$28,000 for each cesspool eliminated through connection to a sewerage system.

In the case of a qualified cesspool that is a residential large capacity cesspool, the

credit is thirty-five percent of the qualified expenses per residential dwelling connected to the cesspool or the applicable maximum cap listed above.

Any taxpayer who received a federal, state, county, or private grant to support the upgrade or conversion to a septic system, aerobic treatment unit system, or connection to a sewerage system is ineligible for the tax credit. The bill incorporates by reference from chapter 347D the definitions of "cesspool," "residential large capacity cesspool," and "sewerage system." "Qualified expenses" mean actual and direct expenses for the upgrade or conversion as certified by the appropriate government agency.

Excess credit can be carried forward until exhausted. Claims for the credit, including amended returns, must be filed before the end of the twelfth month following the close of the taxable year in which the credit could be claimed or the right to claim the credit is waived.

Section 3 of H.B. 2079 amends section 23-95, HRS, by adding the new credit to the list of credits to be reviewed on a five-year schedule (that began in 2023) by the auditor.

The Department of Health (DOH) is directed to collect and maintain a record of "qualified expenses" certified by an appropriate government agency and to certify to each taxpayer the amount of the credit the taxpayer may claim. DOTAX is authorized to prepare any necessary forms to effectuate claiming the credit and may adopt administrative rules as necessary.

The bill takes effect on July 1, 2026, and shall apply to taxable years beginning after December 31, 2026.

DOTAX recommends that section 2 of the bill containing 235-\_\_\_\_(h) be amended to include a sunset for the carryforward of credits as follows:

If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted; provided that no credit may be carried forward more than five years after the initial claim for credit is made under this section. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of their right to claim the credit.

DOTAX defers to the DOH on its ability to certify this credit and administer the various maximum cap amounts but respectively requests that the third-party certification requirement be maintained, as DOTAX lacks subject-matter expertise to determine eligibility and what costs claimed would be “qualified” for cesspools.

DOTAX can administer this bill for taxable years beginning after December 31, 2026.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



DAWN N.S. CHANG  
CHAIRPERSON  
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COMMISSION ON WATER RESOURCE  
MANAGEMENT

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FIRST DEPUTY

CIARA W.K. KAHAHANE  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE  
MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES  
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ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOLAEWAE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
KA 'OIHANA KUMUWAIWAI 'ĀINA  
P.O. BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
RYAN K.P. KANAKA'OLE  
Acting Chairperson**

**Before the House Committee on  
ENERGY & ENVIRONMENTAL PROTECTION**

**Thursday, February 5, 2026  
9:00 AM**

**State Capitol, VIA VIDEOCONFERENCE, Conference Room 325**

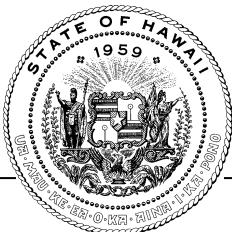
**In consideration of  
HOUSE BILL 2079  
RELATING TO CESSPOOLS**

House Bill 2079 proposes to reestablish the cesspool upgrade, conversion, or connection income tax credit to apply to taxable years beginning after 12/31/2026. **The Department of Land and Natural Resources (Department) supports this bill.**

Hawai'i has over 83,000 cesspools that discharge 52 million gallons of untreated sewage into the groundwater every day. Sewage discharge can adversely impact marine resources by causing increased nutrients in the nearshore environment leading to eutrophication, reduction in coral cover, and decreased marine species diversity. These effects frequently impact coral reef ecosystems, as sewage has been shown to travel quickly from land to sea. Thus, it is imperative to focus on effective management of wastewater to protect aquatic resources in Hawai'i.

This measure reinstates an income tax credit that will encourage homeowners to upgrade their cesspools and keep Hawai'i on target with the deadline to convert all cesspools in the state by 2050. The Department supports this measure because it provides a means of support for homeowners to engage in these critical conversions.

Mahalo for the opportunity to comment on this measure.



# STATE OF HAWAII OFFICE OF PLANNING & SUSTAINABLE DEVELOPMENT

235 South Beretania Street, 6th Floor, Honolulu, Hawai'i 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawai'i 96804

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR

MARY ALICE EVANS  
DIRECTOR

Telephone: (808) 587-2846  
Fax: (808) 587-2824  
Web: <https://planning.hawaii.gov>

Statement of  
**MARY ALICE EVANS, Director**

before the  
**HOUSE COMMITTEE ON  
ENERGY & ENVIRONMENTAL PROTECTION**

Thursday, February 5, 2026, 9:00 AM  
State Capitol, Conference Room 325

in consideration of  
**HB 2079**  
**RELATING TO CESSPOOLS.**

Chair Lowen, Vice Chair Perruso, and Members of the House Committee on Energy & Environmental Protection,

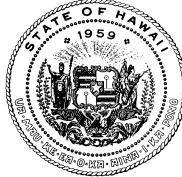
The Office of Planning and Sustainable Development (OPSD) **supports the intent and offers comments on HB 2079**, which reestablishes the cesspool upgrade, conversion, or connection income tax credit. Applies to taxable years beginning after 12/31/2026.

This measure directly addresses the goal of urgent acceleration of housing production as outlined in Governor Green's Ke Ala Hou housing strategy. OPSD recognizes that the ongoing housing crisis cannot be solved without significant and strategic infrastructure investment that supports greater population density and residential development. By facilitating the transition away from outdated and hazardous wastewater systems, HB 2079 helps build the foundational infrastructure necessary for robust housing growth.

While the proposed tax credit would help finance essential cesspool conversions, connections, and upgrades, OPSD prefers the implementation of a grant program over a tax credit model. The Department of Health (DOH) has already implemented a pilot cesspool conversion grant program that showed promising results and proved to be an effective vehicle for change. Grants represent a more direct method to finance these conversions than tax credits, as they provide immediate financial relief to homeowners who may otherwise lack the upfront capital to initiate these critical environmental and infrastructure upgrades.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.  
GOVERNOR OF HAWAII  
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII'



KENNETH S. FINK, MD, MGA, MPH  
DIRECTOR OF HEALTH  
KA LUNA HO'OKELA

STATE OF HAWAI'I  
DEPARTMENT OF HEALTH  
KA 'OIHANA OLAKINO  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

**Testimony in SUPPORT of HB2079  
RELATING TO CESSPOOLS.**

REPRESENTATIVE NICOLE E. LOWEN, CHAIR  
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Hearing Date, Time and Room Number: 02/05/2026, 9:00 am, 325

- 1    **Fiscal Implications:** Undetermined. The Department of Health ("Department") requests that this measure be considered so long as it does not supplant the priorities and requests outlined in the Governors executive budget request.
- 4    **Department Position:** The Department supports this measure.
- 5    **Department Testimony:** The Environmental Management Division, Wastewater Branch (EMD-WWB) provides the following testimony on behalf of the Department.
  - 7        Financing remains one of the most significant barriers to cesspool conversion. This bill furthers the Cesspool Conversion Working Group's recommendation to develop robust funding and financing options to assist low- and moderate-income homeowners to finance conversions.
  - 10      The Department fully supports reinstating the cesspool upgrade, conversion, or connection income tax credit.
- 12    **Offered Amendments:** None.
- 13      Thank you for the opportunity to testify on this measure.



# UNIVERSITY OF HAWAII SYSTEM

## ‘ÖNAEHANA KULANUI O HAWAII

Legislative Testimony  
Hō‘ike Mana‘o I Mua O Ka ‘Aha‘olelo

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Testimony Presented Before the  
House Committee on Energy & Environmental Protection  
Thursday, February 5, 2026 at 9:00 a.m.

By

Darren T. Lerner, PhD  
Director, Sea Grant College Program,  
School of Ocean and Earth Science and Technology  
University of Hawai‘i at Mānoa  
and  
Tao Yan  
Director, Water Resources Research Center,  
and  
Vassilis Syrmos, PhD  
Provost  
University of Hawai‘i at Mānoa

### HB 2079 – RELATING TO CESSPOOLS

Chair Lowen, Vice Chair Perruso, and Members of the Committee:

The University of Hawai‘i Sea Grant College Program (Hawai‘i Sea Grant) and Water Resources Research Center (WRRC) support HB 2079 relating to cesspools.

The upgrade of cesspools underscores Hawaii’s commitment to public health, recognizing that the well-being of its residents is closely linked to the state’s ability to effectively manage and treat wastewater to meet the highest standards of safety.

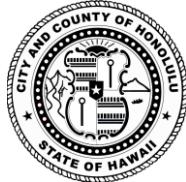
The Cesspool Conversion Working Group reported that the vast majority of cesspool owners cannot afford the upgrade of their cesspool to an advanced form of wastewater treatment. Because it is critical to both human and environmental health that the state’s cesspools be eliminated as soon as possible, it is important that a multitude of mechanisms for financial assistance be created for homeowners. This bill would provide financial relief to those who are upgrading their cesspools through a temporary income tax credit. This tax credit would offset some of the financial difficulties of cesspool conversion and upgrades.

Thank you for the opportunity to testify on this measure.

**DEPARTMENT OF ENVIRONMENTAL SERVICES  
KA 'OIHANA LAWELAWE KAIĀPUNI  
CITY AND COUNTY OF HONOLULU**

1000 ULU'OHIA STREET, SUITE 308 • KAPOLEI, HAWAI'I 96707  
PHONE: (808) 768-3486 • FAX: (808) 768-3487 • WEBSITE: honolulu.gov

RICK BLANGIARDI  
MAYOR  
MEIA



ROGER BABCOCK, JR., Ph.D., P.E.  
DIRECTOR  
PO'O

DANIEL BRIECK, P.E.  
DEPUTY DIRECTOR  
HOPE PO'O

IN REPLY REFER TO:  
DIR 26-08

February 3, 2026

The Honorable Nicole E. Lowen, Chair  
The Honorable Amy A. Perruso, Vice Chair  
and Members on the Committee of Energy and Environmental Protection  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Dear Chair Lowen and Vice Chair Perruso:

**SUBJECT: Department of Environmental Services  
House Bill 2079 – Relating to Cesspools**

The City and County of Honolulu's Department of Environmental Services (ENV) submits the following comments in support to HB 2079, to reestablish the cesspool upgrade, conversion, or connection tax credit.

HB 2079 will assist taxpayers to recover expenses for costs associated with connection to new sewer systems installed by ENV in Sewer Improvement District (SID) projects in unsewered areas served by cesspools. Cesspools are an acknowledged environmental risk and sewer systems with central treatment plants are protective of the environment and public health. ENV has several SID projects in planning/design and once constructed, homeowners are required by ordinance (ROH Ch. 43) to connect to the City sewer within 90 days. Connection involves construction of the private property portion of a sewer lateral, payment of a connection fee, and proper closure of their cesspool. Together the connection costs could range from \$8,000 to \$15,000 or more.

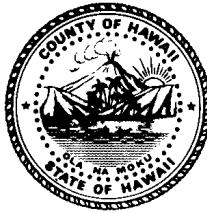
ENV is in support of HB 2079 to help defray the costs for homeowners to connect to new sewers in City SID projects.

Should you have any questions, please contact me at (808) 768-3486.

Sincerely,

Roger Babcock, Jr., Ph.D., P.E.  
Director

**C. Kimo Alameda, Ph.D.**  
*Mayor*



**William V. Brilhante, Jr.**  
*Managing Director*

**Merrick Nishimoto**  
*Deputy Managing Director*

## *County of Hawai'i ~ Office of the Mayor*

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • Phone (808) 961-8211 • Fax (808) 961-6553  
KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740  
Phone (808) 323-4444 • Fax (808) 323-4440

Testimony of  
**C. Kimo Alameda, Ph.D.**  
Mayor, County of Hawai'i

Before the House Committee on  
**Energy & Environmental Protection**  
Rep. Nicole E. Lowen, Chair  
Rep. Amy A. Perruso, Vice Chair

**Thursday, February 5, 2026, 9:00 A.M.**  
State Capitol Conference Room 325 & Videoconference

In consideration of  
**House Bill 2079**  
**Relating to Cesspools**

Aloha Chair Lowen, Vice Chair Perruso, and Members of the Committee on Energy & Environmental Protection,

Mahalo for the opportunity to provide testimony in support of House Bill 2079, which reestablishes the cesspool upgrade, conversion, or connection income tax credit.

This measure provides homeowners with a significant financial tool as the state proceeds with the mandated cesspool conversions throughout Hawai'i. With the highest number of cesspools statewide, Hawai'i Island residents face substantial costs to upgrade or connect to approved wastewater systems.

By re-establishing the cesspool upgrade and conversion tax credit, we aim to ease the financial burden on property owners and encourage earlier compliance. This financial support aligns with our goals of protecting groundwater, coastal waters, and public health.

For these reasons, I respectfully urge your support of House Bill 2079.

# OFFICE OF THE MAYOR

DEREK S.K. KAWAKAMI, MAYOR

REIKO MATSUYAMA, MANAGING DIRECTOR



## Testimony of Derek S.K. Kawakami

Mayor, County of Kaua'i

Before the

### House Committee on Energy & Environmental Protection

February 5, 2026; 9:00 AM

Conference Room 325 & Videoconference

In consideration of

### House Bill 2079 Relating to Cesspools

Honorable Chair Lowen, Vice Chair Perruso, and Members of the Committee:

The County of Kaua'i is in **strong support** of HB2079 which reestablishes the cesspool upgrade, conversion on connection income tax credit and applies to taxable years beginning after December 31, 2026.

In 2015 the legislature established an income tax credit for the cost to upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or to connect a qualified cesspool to a sewer system. Approximately, less than 150 cesspools were converted before this income tax credit sunset in 2020.

With the passage of Act 125, Session Laws of Hawai'i 2017, there have been countless conversations and forums discussing the elimination of cesspools by January 1, 2050 but in reality - a slow rate of conversion.

This measure serves to incentivize cesspool conversion much like the Renewable Technologies Income Tax Credit incentivized homeowners and businesses to protect the environment with a reduction in carbon emissions as well as individual and regional energy independence. Additionally, that credit stimulated economic growth and continues to provide thousands of jobs for the Hawai'i workforce.

The initial cesspool conversion tax credit was too short-lived and did not reflect a meaningful incentive scaled to the cost. The caps for the different types of conversions or connection to sewer reflect their differences in cost.

We **strongly support** HB2079 and respectfully request you pass this measure.

LATE \*Testimony submitted late may not be considered by the Committee for decision making purposes.

## OFFICE OF CLIMATE CHANGE SUSTAINABILITY AND RESILIENCY

### KE KE'ENA LOLI ANIAU MĀLAMA 'ĀINA A ME KE OLA LOA CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 11<sup>th</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-2277 • EMAIL: [resilientoahu@honolulu.gov](mailto:resilientoahu@honolulu.gov) • WEBSITE: [resilientoahu.org](http://resilientoahu.org)

RICK BLANGIARDI  
MAYOR  
MEA

LATE



KEALOHA FOX, Ph. D.  
EXECUTIVE DIRECTOR &  
CHIEF RESILIENCE OFFICER  
PO'O HO'OKO & KAHU OLA LOA

VACANT  
DEPUTY DIRECTOR &  
DEPUTY CHIEF RESILIENCE OFFICER  
HOPE PO'O & HOPE KAHU OLA LOA

### TESTIMONY OF KEALOHA FOX, PH.D. EXECUTIVE DIRECTOR OF CLIMATE CHANGE, SUSTAINABILITY AND RESILIENCY AND CHIEF RESILIENCE OFFICER

BEFORE THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL  
PROTECTION

Thursday, February 5, 2026, 9:00 AM  
Conference RM 325 and Via Videoconference

TO: Rep. Nicole Lowen, Chair, Rep. Amy Perruso, Vice Chair, and Members of the Committee on Energy & Environmental Protection

RE: SUPPORT OF HOUSE BILL 2079, RELATING TO CESSPOOLS WITH COMMENTS

The City and County of Honolulu's ("City") Office of Climate Change, Sustainability, and Resiliency ("Resilience Office") **supports** House Bill 2079, which reinstates and updates the cesspool upgrade, conversion, or connection income tax credit.

Cesspools pose a significant threat to Hawai'i's groundwater, drinking water, and nearshore marine environments. These risks are exacerbated by climate change impacts such as sea level rise, flooding, and groundwater inundation. *Climate Ready O'ahu*, the City's climate adaptation strategy, identifies cesspool conversion as a critical climate adaptation strategy, particularly in high-priority and sea level rise exposure areas. Of the nearly 8,000 cesspools on O'ahu, over 1,000 are located within the sea level rise exposure area, increasing the urgency of accelerating conversions to protect public health and environmental resources.

High upfront conversion costs remain a major barrier for many households, particularly those with low to moderate incomes. The Hawai'i Department of Health Cesspool Pilot Program's 2023 report to the Hawai'i State Legislature found "many grantees still faced a financial burden as they had to pay outstanding costs between \$10,000 and \$30,000 out of pocket even with grant awards." Given the persistent financial barriers to conversion, and high outstanding costs beyond what grants may cover, we respectfully request that subsection (e) be amended to read:

Chair Lowen and Vice Chair Perruso

HB2079

February 5, 2026

Page 2

“Any taxpayer who has received a federal, state, county, or private grant to support the upgrade or conversion to a septic system or aerobic treatment unit system or connection to a sewerage system ~~is ineligible~~ shall be eligible for the tax credit up to the limits in section (d) minus grant(s) received.”

When paired with existing efforts, HB2079 would complement existing local and state grant programs by expanding the suite of financial tools available to residents. Considered in tandem to potential increases to state grant caps (HB1816) and other innovative financing options such as low-interest loans through the Hawai‘i Green Infrastructure Authority (HB1618), this measure helps create a more comprehensive pathway for compliance. Together, these approaches help advance *Climate Ready O‘ahu* Action 9.4 to develop a toolbox of innovative funding mechanisms for climate adaptation.

Mahalo for the opportunity to testify in **support** of HB2079.

February 5, 2026

**The Honorable Nicole E. Lowen, Chair**

House Committee on Energy & Environmental Protection  
State Capitol, Conference Room 325 & Videoconference

**RE: House Bill 2079, Relating to Cesspools**

**HEARING: Thursday, February 5, 2026, at 9:00 a.m.**

Aloha Chair Lowen, Vice Chair Perruso, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its over 11,000 members. HAR **supports** House Bill 2079, which reestablishes the cesspool upgrade, conversion, or connection income tax credit. Applies to taxable years beginning after 12/31/2026.

Hawai'i REALTORS® supports the goal of protecting our water and ocean resources and recognize that cesspool conversion is important to preserve our environment. There are approximately 83,000 cesspools divided into three priorities<sup>1</sup> (48,596 on Hawaii Island; 14,300 on Kauai; 11,038 on Maui; 1,400 on Molokai; and 7,491 on 'ahu) with only 26 years to meet the state's mandate to convert all cesspools to a Director of Health ("DOH") approved wastewater system. To convert 83,000 cesspools by 2050, at least 3,458 cesspools need to be converted per year.

Affordability and financial planning are key. The Cesspool Conversion Working Group conducted an affordability analysis<sup>2</sup> for homeowners. Based on the analysis, 97% of homeowners would be financially burdened by cesspool conversion costs. Equally concerning, even with a \$10,000 rebate 82% of homeowners would still be financially burdened. Costs will vary depending on resources, labor, property terrain, permitting delays, and other issues. Most homeowners will not be able to afford to do this alone. As such, tax credits can be a beneficial tool in helping homeowners convert their cesspools to a DOH approved wastewater system.

Mahalo for the opportunity to provide testimony on this measure.

<sup>1</sup> University of Hawai'i Sea Grant College Program. *Hawai'i Cesspool Prioritization Tool*. <https://seagrant.soest.hawaii.edu/cesspools-tool/>

<sup>2</sup> Cesspool Conversion Working Group. (2022). *Final Report to the 2023 Regular Session Legislature*. State of Hawai'i Department of Health. <https://health.hawaii.gov/oppd/files/2022/12/Act-170-SLH-2019-Nov-2022.pdf>

**Testimony of The Nature Conservancy  
Supporting HB2079, Relating to Cesspools  
Committee on Energy & Environmental Protection  
February 5, 2026 at 9:00 am  
Conference Room 325 and via Videoconference**

Dear Chair Lowen, Vice Chair Perruso, and Members of the Committee:

Mahalo for the opportunity to testify today. The Nature Conservancy (TNC) Hawai'i and Palmyra supports HB2079, which reestablishes the cesspool upgrade, conversion, or connection income tax credit.

Science conducted by TNC and partners has shown that wastewater, particularly cesspools, are detrimental to the coral reefs that protect our coastlines and underpin our economy. Without clean coastal waters, our reef ecosystems face even greater risk amid growing global stressors, including climate change.

Cesspools cause harm to water quality within adjacent groundwater, anchialine, coral reef systems and fisheries by introducing elevated amounts of organic nitrogen and phosphorus, pathogens, and other contaminants. These pollutants can encourage excess algal and bacterial growth, degrade aquatic ecosystems, and pose risks to human health. Our research in He'eia, Maunalua, Olowalu, Hana and South Kohala has shown direct evidence of cesspool contamination in streams and coastal waters using a variety of bioindicators and chemical signatures.

This bill reinstates and updates Hawai'i's cesspool upgrade tax credit to help homeowners convert, upgrade, or eliminate cesspools that threaten drinking water and coastal ecosystems. By raising the credit caps to reflect current construction costs, it provides meaningful financial relief and make compliance more achievable for families, accelerating progress on one of Hawai'i's most urgent water quality challenges.

Mahalo for the opportunity to testify in support of HB2079.

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*Guided by science, TNC is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawai'i and Palmyra Atoll. We manage 84,000 acres in 13 nature preserves and 18 managed areas and have supported over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands.*

---

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# TAX FOUNDATION OF HAWAII

---

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

---

SUBJECT: INCOME, Cesspool Upgrade, Conversion, or Connection Income Tax Credit

BILL NUMBER: HB 2079, SB 2525

INTRODUCED BY: HB by NAKAMURA by request; SB by KOUCHI by request (Hawai‘i Council of Mayors Package)

EXECUTIVE SUMMARY: Reestablishes the cesspool upgrade, conversion, or connection income tax credit. Applies to taxable years beginning after 12/31/2026.

SYNOPSIS: Adds a new section to chapter 235, HRS, allowing a nonrefundable income tax credit for a cesspool upgrade, conversion, or connection to a sewer system.

The credit equals 35% of the qualified expenses of the taxpayer, up to:

- (1) \$14,000 for each cesspool upgrade or conversion to a septic system;
- (2) \$17,500 for each cesspool upgrade or conversion to an aerobic treatment unit system; and
- (3) \$28,000 for each cesspool eliminated through connection to a sewerage system.

Any taxpayer who has received a federal, state, county, or private grant to support the upgrade or conversion to a septic system or aerobic treatment unit system or connection to a sewerage system is ineligible for the tax credit.

The total amount of tax credits allowed statewide is not to exceed \$5 million. Taxpayers whose credit claims are disallowed because of the cap may claim the credit in the following year.

The Department of Health is tasked with the responsibility of examining and certifying claims for the credit.

Amends section 23-95, HRS, to allow for a periodic review of the credit by the State Auditor.

EFFECTIVE DATE: Taxable years beginning after December 31, 2026.

STAFF COMMENTS: Act 120, SLH 2015, enacted a temporary income tax credit, expiring on December 31, 2020, for 100% of the qualified costs of a cesspool upgrade, conversion, or connection, up to \$10,000. Act 182, SLH 2016, made clarifying amendments.

This measure is a reenactment of that effort to mitigate the public health hazards caused by cesspools, which release millions of gallons of untreated sewage into the ground. Many houses, especially in rural areas, still have them. Converting them is expensive, hence the credit to encourage homeowners to do so.

Digested: 2/3/2026

**HB-2079**

Submitted on: 2/2/2026 5:01:10 PM  
Testimony for EEP on 2/5/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Douglas Perrine	Individual	Support	Written Testimony Only

**Comments:**

I support HB2079, but suggest a revision to the language proposed for sec. 235(b). In addition to providing a tax credit for a sewer hookup, septic system, or aerobic treatment unit, the bill should add "or other individual wastewater treatment system approved by the Hawaii Dept. of Health," as we do not want to disadvantage new technologies which might prove as good or superior to those mentioned. Mahalo.

**HB-2079**

Submitted on: 2/3/2026 2:15:31 PM  
Testimony for EEP on 2/5/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT