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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 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 "§235- 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; provided that a  
16 hurricane shelter shall meet all of the requirements  
17 specified in subsection (h); or

18 (3) Fortification of high-rise apartment and condominium  
19 buildings or units therein in excess of applicable  
20 building code standards, certified by a licensed  
21 building inspector or design professional, including



1 costs for the installation of wind-resistant windows,  
2 doors, roofing systems, and related structural  
3 components certified as capable of withstanding  
4 sustained wind speeds of at least two hundred miles  
5 per hour.

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

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

18 (e) If the tax credit under this section exceeds the  
19 taxpayer's net income tax liability, the excess of the tax  
20 credit may be used as a credit against the taxpayer's income tax



1 liability in subsequent years until exhausted; provided that no  
2 credit under this section may exceed a period of \_\_\_\_\_ years.

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

6 (g) The director of taxation:

7 (1) Shall prepare any forms that may be necessary to claim  
8 a tax credit under this section;

9 (2) May require proof of the claim for the tax credit; and

10 (3) May adopt rules pursuant to chapter 91 to effectuate  
11 the purposes of this section.

12 (h) For the purposes of this section:

13 "Hurricane shelter" means a windowless room within a  
14 residence or within an accessory building to a residence,  
15 designed and constructed to withstand sustained wind speeds of  
16 at least two hundred miles per hour and to resist impact from  
17 windborne debris; provided that the room:

18 (1) Is not located in a flood zone, storm surge, or other  
19 area susceptible to flooding;

20 (2) Is readily accessible to persons residing within the  
21 residence; and



1       (3) Is designed and constructed pursuant to hurricane  
2       standards that are, at a minimum, in compliance with:

3       (A) Federal Emergency Management Agency Publication  
4       320 "Taking Shelter from the Storm: Building or  
5       Installing a Safe Room for Your Home", March 2021  
6       edition, as amended; and

7       (B) Federal Emergency Management Agency Publication  
8       361 "Safe Rooms for Tornadoes and Hurricanes:  
9       Guidance for Community and Residential Safe  
10       Rooms", April 2021 edition, as amended.

11       "Related structural components" means elements of a  
12       building that contribute to its wind resistance and structural  
13       integrity, as determined by a licensed building inspector or  
14       registered design professional to be necessary for the  
15       construction, retrofitting, or fortification project to meet  
16       wind-resistance standards specified in this section."

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

20       "§237-       Reduced rate; concrete residential development.

21       (a) Notwithstanding section 237-13 to the contrary, beginning



1 January 1, 2027, there is hereby levied and shall be assessed  
2 and collected a tax equivalent to half the rate that would have  
3 applied pursuant to section 237-13 of the gross proceeds or  
4 income received from the sale of a certified hurricane-resistant  
5 residential project; provided that for a high-rise certified  
6 hurricane-resistant residential project, the reduced rate of tax  
7 under this section shall apply only to the portion of gross  
8 proceeds or gross income attributable to the incremental cost of  
9 windows, doors, roofing systems, and related structural  
10 components that are certified to withstand sustained wind speeds  
11 of at least two hundred miles per hour.

12 (b) Certification of windows, doors, roofing systems, and  
13 related structural components to withstand sustained wind speeds  
14 of at least two hundred miles per hour shall be provided by a  
15 licensed building inspector or design professional to the  
16 department of taxation in a form prescribed by the director of  
17 taxation.

18 (c) For the purposes of this section:

19 "Certified hurricane-resistant residential project" means a  
20 residential housing project that:



1       (1) Is newly constructed using a concrete structural  
2       system, including but not limited to constructing with  
3       concrete masonry unit, insulated concrete forms,  
4       structural insulated concrete panels, or placed  
5       concrete;

6       (2) Incorporates windows, doors, roofing systems, and  
7       related structural components that are certified by a  
8       licensed building inspector or design professional to  
9       withstand sustained wind speeds of at least two  
10       hundred miles per hour, and that have been installed  
11       in accordance with applicable building codes and  
12       approved plans; and

13       (3) Has written certification of compliance as required  
14       under this section.

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

17       "Incremental cost" means the additional expense incurred by  
18       the taxpayer for windows, doors, roofing systems, and related  
19       structural components needed to meet wind-resistance standards  
20       specified in this section. Incremental cost shall be calculated  
21       as the difference between:



- 1        (1) The cost of windows, doors, roofing systems, and  
2                related structural components that can withstand wind  
3                speeds of at least two hundred miles per hour; and  
4        (2) The cost of comparable windows, doors, roofing  
5                systems, and related structural components. A  
6                comparable window, door, roofing system, or related  
7                structural component is one that is of similar size,  
8                type, and functional characteristic, but not designed  
9                or certified to withstand sustained wind speeds of at  
10               least two hundred miles per hour; provided that the  
11               comparable window, door, roofing system, or related  
12               structural component meets all applicable building  
13               code requirements.

14        "Related structural components" shall have the same meaning  
15 as defined in section 235- ."

16        SECTION 4. New statutory material is underscored.

17        SECTION 5. This Act shall take effect on July 1, 2050, and  
18 shall apply to taxable years beginning after December 31, 2026;  
19 provided that this Act shall be repealed on December 31, 2030.



# S.B. NO. 2884 S.D. 1

**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 high-rise certified hurricane-resistant residential project or certain hurricane-resistant components of the project. Applies to taxable years beginning after 12/31/2026. Sunsets 12/31/2030. Effective 7/1/2050. (SD1)

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

