
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 an income tax credit equal to the lesser of:

9 (1) _____ per cent of the costs of installing, placing
10 into service, or repairing a water catchment system on
11 a residential property located in the State that is
12 owned by the taxpayer; or

13 (2) _____ per cent of the costs of purchasing water
14 delivery services of at least two hundred fifty
15 gallons of water during the taxable year to a
16 residential property located in the State that is
17 owned by the taxpayer;

18 provided that the amount of the tax credit claimed under this
19 section by a taxpayer shall not exceed \$500 per taxable year;
20 provided further that if a residential property that qualifies
21 for the credit is owned by more than one taxpayer in the same



1 taxable year, the tax credit may only be claimed by one taxpayer
2 in that taxable year.

3 (b) A taxpayer shall be limited to claiming only one of
4 the credit amounts in subsection (a)(1), (2), or (3). If the
5 tax credit under this section exceeds the taxpayer's income tax
6 liability, the excess of the credit over liability may be used
7 as a credit against the taxpayer's income tax liability in
8 subsequent years until exhausted; provided that no credit
9 forward shall be claimed more than five years after the initial
10 claim for credit is made under this section.

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

17 (d) The director of taxation shall prepare any forms that
18 may be necessary to claim a tax credit under this section. The
19 director may also require the taxpayer to furnish reasonable
20 information to ascertain the validity of the claim for the



1 credit and adopt rules, pursuant to chapter 91, necessary to
2 implement this section.

3 (e) For the purposes of this section:

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

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

12 SECTION 3. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on December 31,
14 2050; provided that section 2 shall apply to taxable years
15 beginning after December 31, 2026.



S.B. NO. 768
S.D. 1

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. Applicable to taxable years beginning after 12/31/2026. Effective 12/31/2050. (SD1)

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