

Honolulu, Hawaii

FEB 18 , 2026

RE: H.B. No. 2079
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 2079 entitled:

"A BILL FOR AN ACT RELATING TO CESSPOOLS,"

begs leave to report as follows:

The purpose of this measure is to reestablish the Cesspool Upgrade, Conversion, or Connection Income Tax Credit.

Your Committee received testimony in support of this measure from the Department of Land and Natural Resources; Department of Health; Office of Planning and Sustainable Development; University of Hawai'i Sea Grant College Program; University of Hawai'i Water Resources Research Center; Office of the Mayor of the County of Hawai'i; Office of the Mayor of the County of Kaua'i; Department of Environmental Services of the City and County of Honolulu; Office of Climate Change Sustainability and Resiliency of the City and County of Honolulu; Hawai'i Association of REALTORS; The Nature Conservancy Hawai'i and Palmyra; and two individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that cesspools are a major source of contamination and threaten the State's groundwater, drinking water, streams, and ocean resources. Your Committee further finds that the high cost of upgrades has hindered compliance with the



2050 deadline for upgrade, conversion, or connection and that new funding mechanisms are necessary to offset costs to residents. This measure seeks to reduce financial barriers and support efforts to protect the State's water resources by reestablishing the Cesspool Upgrade, Conversion, or Connection Income Tax Credit to assist with costs associated with cesspool upgrade, conversion, or connection.

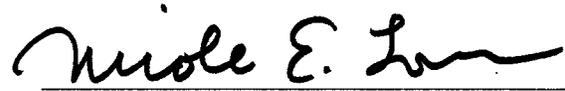
Your Committee has amended this measure by:

- (1) Clarifying that the credit applies to cesspools upgraded or converted to Director of Health-approved wastewater systems or connected to a sewerage system;
- (2) Amending the amount of the credit to the lesser of one hundred per cent of the qualified expenses or \$10,000 per cesspool;
- (3) Removing provisions establishing credit amounts for residential large capacity cesspools;
- (4) Removing the different cap amounts for different conversion methods and applying a single \$10,000 cap for each cesspool that is upgraded, converted, or connected;
- (5) Making the credit refundable for taxpayers with an adjusted gross income below an unspecified amount;
- (6) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2079, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2079, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



NICOLE E. LOWEN, Chair



