

STAND. COM. REP. NO. 2162

Honolulu, Hawaii

FEB 11 2026

RE: S.B. No. 768
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Health and Human Services, to which was referred S.B. No. 768 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to create 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.

Your Committee received testimony in support of this measure from one individual.

Your Committee received testimony in opposition to this measure from the Libertarian Party of Hawaii.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that water is essential to life and flourishing local communities, yet some communities, such as portions of the Ka'ū region of Hawai'i island, lack access to municipal water infrastructure, leaving residents to rely on water catchment systems and water delivery services to meet their basic needs. Your Committee further finds that water catchment systems can be cost-effective, reliable, and safe, and reduce consumer



demand for fresh water. This measure establishes a tax incentive to support the use of water catchment systems as a viable means of providing safe and reliable water access for communities.

Your Committee has amended this measure by:

- (1) Making the income tax credit nonrefundable;
- (2) Inserting language to make the income tax credit based on a percentage of eligible costs, rather than a fixed amount;
- (3) Clarifying that the amount of the tax credit shall not exceed \$500 per taxable year;
- (4) Inserting language to clarify that if a residential property that qualifies for the income tax credit is owned by more than one taxpayer in the same taxable year, the tax credit may only be claimed by one taxpayer in that taxable year;
- (5) Inserting language to clarify that no credit forward shall be claimed more than five years after the initial claim for the tax credit;
- (6) Inserting an effective date of December 31, 2050, to encourage further discussion;
- (7) Making it apply to taxable years beginning after December 31, 2026; and
- (8) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Health and Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 768, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 768, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Health and Human
Services,

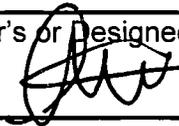


JOY A. SAN BUENAVENTURA, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

Record of Votes
Committee on Health and Human Services
HHS

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 768	HHS, WAM	1/28/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
SAN BUENAVENTURA, Joy A. (C)	✓			
MCKELVEY, Angus L.K. (VC)	✓			
KANUHA, Dru Mamo	✓			
KEOHOKALOLE, Jarrett	✓			
FEVELLA, Kurt	✓			
TOTAL	5	0	0	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted		<input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Committee	Drafting Agency		

*Only one measure per Record of Votes