

JAN 19 2018

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# A BILL FOR AN ACT

RELATING TO INCOME TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 "§235- Automatic fire sprinkler system; income tax  
5 credit. (a) There shall be allowed to each qualified taxpayer  
6 subject to the tax imposed under this chapter, an automatic fire  
7 sprinkler system income tax credit that shall be deductible from  
8 the qualified taxpayer's net income tax liability, if any,  
9 imposed by this chapter for the taxable year in which the credit  
10 is properly claimed.

11 (b) In the case of a partnership, S corporation, estate,  
12 or trust, the tax credit allowable is for qualified costs  
13 incurred by the entity for the taxable year. The qualified  
14 costs upon which the tax credit is computed shall be determined  
15 at the entity level. Distribution and share of credit shall be  
16 determined pursuant to section 704(b) of the Internal Revenue  
17 Code.



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1        (c) The automatic fire sprinkler system tax credit shall  
2 be equal to twenty per cent of the qualified costs of the  
3 automatic fire sprinkler system; provided that:

4        (1) The tax credit shall not exceed \$1,000 in each taxable  
5 year for each individual automatic fire sprinkler  
6 system;

7        (2) The tax credit may be claimed for each taxable year up  
8 to five consecutive taxable years immediately after  
9 the automatic fire sprinkler system is placed in  
10 service; provided that the qualified taxpayer shall  
11 not be allowed to claim the credit after the fifth  
12 taxable year; and

13        (3) The excess of credits over a qualified taxpayer's  
14 individual or corporate income tax liability for any  
15 taxable year shall not be refunded to the qualified  
16 taxpayer.

17        (d) All claims for the tax credit under this section,  
18 including amended claims, shall be filed on or before the end of  
19 the twelfth month following the close of the taxable year for  
20 which the credit may be claimed. Failure to comply with the



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1 foregoing provision shall constitute a waiver of the right to  
2 claim the credit.

3 (e) The director of taxation:

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

6 (2) May require the qualified taxpayer to furnish  
7 reasonable information to ascertain the validity of  
8 the claim for the tax credit made under this section;  
9 and

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

12 (f) As used in this section:

13 "Automatic fire sprinkler system" means an integrated  
14 system of underground and overhead piping designed in accordance  
15 with fire protection engineering standards. The portion of the  
16 sprinkler system above ground is a network of specially sized or  
17 hydraulically designed piping installed in a building, a  
18 structure, or area, generally overhead and to which sprinklers  
19 are connected in a systematic pattern. The valve controlling  
20 each system riser is located in the system riser or its supply  
21 piping. Each sprinkler system riser includes a device for



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1 activating an alarm when the system is in operation. The device  
2 is normally activated by heat from a fire and discharges water  
3 over the fire area.

4 "Qualified costs" means costs incurred in purchasing or  
5 otherwise acquiring an automatic fire sprinkler system,  
6 including construction costs, accessories, and installation, for  
7 use in any apartment or condominium built before 1975.

8 "Qualified taxpayer" means an individual who is a resident  
9 of the State and:

- 10 (1) Is the only member of a family of one and has an  
11 income of not more than eighty per cent of the area  
12 median income, as determined by the United States  
13 Department of Housing and Urban Development, for a  
14 family of one; or  
15 (2) Is part of a family with an income of not more than  
16 eighty per cent of the area median income, as  
17 determined by the United States Department of Housing  
18 and Urban Development, for a family of the same size."

19 SECTION 2. New statutory material is underscored.

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1 SECTION 3. This Act, upon its approval, shall apply to  
 2 taxable years beginning after December 31, 2017.

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INTRODUCED BY: \_\_\_\_\_

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Karl Rhoads  
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**Report Title:**

Income Tax Credit; Automatic Fire Sprinkler System; Qualified Taxpayer; Condominium

**Description:**

Provides an income tax credit for qualified taxpayers, with incomes of not more than eighty per cent of the area median income, for qualified costs of an automatic fire sprinkler system installed and placed into any apartment or condominium built before 1975.

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