



STATE OF HAWAII
DEPARTMENT OF HEALTH

P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

**Testimony in SUPPORT of HB602
RELATING TO TAXATION**

REPRESENTATIVE CHRIS LEE, CHAIR
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

REPRESENTATIVE DELLA AU BELATTI, CHAIR
HOUSE COMMITTEE ON HEALTH

Hearing Date: February 9, 2017
Time: 10:05 am

Room Number: 329

1 **Fiscal Implications:** None.

2 **Department Testimony:** The Department supports this measure. It is appropriate to expand the
3 definition of “qualified cesspool” in Section 235-16.5, Hawaii Revised Statutes, for purposes of
4 the income tax credit. Last year, the Department issued five property owners a \$10,000 income
5 tax credit for the upgrade of a qualified cesspool. The Department believes that expanding the
6 definition of a “qualified cesspool” may help to increase the number of cesspools that are
7 upgraded in the State, which is important in reducing cesspool pollution.

8 The bill would appropriately include as “qualified” cesspools that are: 1) located within 500 feet
9 of a shoreline, perennial stream, or wetland; 2) residential large capacity cesspools; and
10 3) certified by a county or private sewer company as being appropriate for connection to its
11 existing sewer system.

12 Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Chris Lee, Chair
and Members of the House Committee on Energy and Environmental Protection

The Honorable Della Au Belatti, Chair
and Members of the House Committee on Health

Date: Thursday, February 9, 2017
Time: 10:05 A.M.
Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 602, Relating to Cesspools

The Department of Taxation (Department) appreciates the intent of the measure, which seeks to incentivize the conversion of cesspools to more environment friendly alternatives, defers to the Department of Health on the merits of this bill, and provides the following comments for your consideration.

H.B. 602 amends the cesspool upgrade, conversion, or connection income tax credit by expanding the definition of cesspools eligible for the credit to include an upgrade to a wastewater system that includes a composting toilet. The measure is effective upon approval.

As written, the Department will be able to implement the measure for tax years beginning after December 31, 2016.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Expand Tax Credit for Cesspool Conversion

BILL NUMBER: HB 602

INTRODUCED BY: LOWEN, JOHANSON, KEOHOKALOLE, C. LEE, LUKE, NISHIMOTO, SAIKI, SOUKI, TODD, WOODSON, Belatti, Nakamura

EXECUTIVE SUMMARY: Amends the cesspool upgrade, conversion, or connection income tax credit by: (1) deleting the residential large capacity cesspool certification pilot program; (2) allowing cesspools within 500 feet (presently 200 feet) of a shoreline, stream, or wetland; and (3) expanding the definition of "qualified cesspool" to include cesspools that are certified for connection to an existing sewer system.

BRIEF SUMMARY: Amends HRS section 235-16.5 to:

- Delete the references to the large capacity cesspool pilot program;
- Allow a cesspool to qualify if it is within 500 feet of a shoreline, perennial stream, or wetland (the existing requirement is that it be within 200 feet); and
- Allow a cesspool to qualify if it is certified by a county or private sewer company as being appropriate for connection to its existing sewer system.

EFFECTIVE DATE: Upon approval, applies to taxable years beginning after December 31, 2016.

STAFF COMMENTS: Act 120, SLH 2015, enacted a temporary income tax credit, expiring on December 31, 2020, for 100% of the qualified costs of a cesspool upgrade, conversion, or connection, up to \$10,000. Act 182, SLH 2016, made clarifying amendments.

Digested 2/8/2017



**HOUSE JOINT COMMITTEE ON HEALTH, AND
ENERGY AND ENVIRONMENTAL PROTECTION**

Thursday, February 9, 2017 10:05 aM Room 329

In SUPPORT HB 602 Relating to Taxation

Aloha Chairs Belatti and Lee, and members of HLT/EEP committee,

The Sierra Club of Hawai'i strongly supports HB 602, which seeks to expand the income tax credit for the upgrade, conversion, or connection of cesspools.

We have 20,000 members and supporters throughout the Hawaiian Islands. Since 1968, the Sierra Club of Hawai'i has been working to protect the unique natural and cultural resources of our islands. We deeply concerned with water quality and public health issues. Cesspools pose a significant threat to both.

Hawai'i has approximately 90,000 cesspools in the state, which release 55 million gallons of untreated sewage into the ground in Hawai'i each day.¹ Most of these cesspools pose risks to our groundwater, streams, and oceans. With each heavy rainfall, cesspools overflow and contaminate our oceans and streams, and the state must issue brown water advisories. Brown water poses serious health hazards, such as bacteria and viruses that can cause gastroenteritis, Hepatitis A, conjunctivitis, leptospirosis, salmonellosis, and cholera, among other ailments. Contamination not only poses great risks to public health, but also harms endangered and endemic marine wildlife.

Hawai'i has made progress by banning the construction of new cesspools in 2015, but the state still faces the immense public health threats presented by existing cesspools. Many residents with existing cesspools are unable to transition to sewer or septic tanks because the cost of new constructive is prohibitively high. This bill allows more residents access to the tax relief necessary to off-set the cost of conversion. Allowing more homeowners to take advantage of the tax credit program to eliminate their cesspools benefits the health and safety of our whole community. It is imperative that the state moves quickly to reduce and ultimately eliminate untreated sewage contamination to our sensitive environment.

Thank you very much for this opportunity to provide testimony on this important issue.

Mahalo,
Marti Townsend
Director

¹ <http://health.hawaii.gov/wastewater/cesspools/>