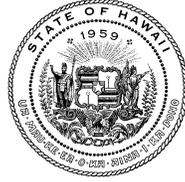


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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, February 25, 2016

Time: 1:00 P.M.

Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2517, H.D. 1, Relating to Cesspool Tax Credits.

The Department of Taxation (Department) appreciates the intent of H.B. 2517, H.D. 1, and defers to the Department of Health (DOH) on the merits of this bill, and provides the following comments regarding this measure for your consideration.

H.B. 2517 adds to the definition of "qualified cesspool" any cesspool that is within two hundred feet of an existing sewer system, for the purposes of determining eligibility for the upgrade, conversion, or connection tax credit under section 235-16.5, Hawaii Revised Statutes. The measure is effective upon approval.

The House Committee on Energy and Environmental Protection adopted the Department's request to clarify the effective date, such that the measure applies to taxable years beginning after December 31, 2015, as well as DOH's request that a county agency certify that a cesspool is within 200 feet of an existing sewer line since DOH was unable to make such a determination.

Thank you for the opportunity to provide comments.



**STATE OF HAWAII
DEPARTMENT OF HEALTH**

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**Testimony in SUPPORT of HB2517 H.D.1
RELATING TO CESSPOOL TAX CREDITS**

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: 02-25-16
Time: 1:00 PM

Room Number: 308

1 **Fiscal Implications:** None.

2 **Department Testimony:** The Department supports this measure that expands the definition of
3 “qualified cesspool” in Section 235-16.5, Hawaii Revised Statutes, to include cesspools that are
4 located within 200 feet of an existing sewer system.

5 The proposed bill states that the county shall certify cesspools that are located within two
6 hundred feet of an existing sewer system. Existing sewer systems, however, are owned and
7 operated not only by the Counties, but also some private sewer entities. It is in the public interest
8 to connect cesspools to sewers whether the sewers are County-owned or privately-owned. The
9 private sewer entities are the parties who can best determine whether a cesspool is within
10 200 feet of their sewers. Therefore, the Department suggests that the bill be amended to add the
11 responsibility of certifying the distance between cesspools and an existing private sewer system
12 to the owners of that private sewer system.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Allow Cesspool Tax Credit Per TMK for Large Systems

BILL NUMBER: HB 2517, HD-1

INTRODUCED BY: House Committees on Energy & Environmental Protection and Health

EXECUTIVE SUMMARY: Allows the tax credit for cesspool upgrade, conversion, or connection for cesspools located within 200 feet of an existing sewer system. Clarifies that one credit per tax map key is allowable for a large capacity cesspool.

BRIEF SUMMARY: Amends the definition of qualified cesspool in HRS section 235-16.5(i) to allow a county to certify a cesspool located within 200 feet of an existing sewer system.

Amends HRS section 235-16.5(c) to state that multiple tax credits (one per tax map key) may be awarded in the case of a large capacity cesspool.

EFFECTIVE DATE: Upon approval, except that the income tax credit changes apply to taxable years beginning after December 31, 2015.

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. The recitals in the Act explain the problem addressed:

The legislature finds that the State's streams, groundwater, and ocean are being harmed by water pollution from nonpoint contamination sources that flow off the land directly, rather than through pipes or ditches. Cesspools constitute a nonpoint contamination source of grave concern. These substandard systems are essentially holes in the ground that discharge raw, untreated sewage. Groundwater, drinking water sources, streams, and the ocean are contaminated by cesspool pollution from systems that do not treat wastewater, but merely dispose of it.

The legislature further finds that cesspools in Hawaii release approximately 55,000,000 gallons of untreated sewage into the ground each day. There are approximately 90,000 cesspools in the State, with nearly 50,000 located on Hawaii island, approximately 14,000 on Kauai, over 12,000 on Maui, over 11,000 on Oahu, and over 1,400 on Molokai. Reducing the number of cesspools in the State is a matter of great importance. The legislature additionally finds that cesspools near drinking water wells or within two hundred feet of surface waters and cesspools that are connected to multiple residential dwellings present a higher risk of harm to public health and the environment and should be prioritized by the department of health for upgrade. The department of health indicates that there are approximately 6,860 cesspools in those priority locations.

Priority should be given to cesspool owners who request financial assistance to upgrade, convert, or connect cesspools that: affect public drinking water wells; are within two

hundred feet of the shoreline, streams, or wetlands; or are connected to multiple residential dwellings.

As we noted at the time, this credit was given without any consideration of the taxpayer's need for tax relief.

While the current statute requires the department of health to certify eligibility for the credit, the bill will add the counties as additional certifiers. That will make it harder to track on an aggregate basis.

Digested 2/24/16

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 25, 2016 9:31 AM
To: FINTestimony
Cc: marti.townsend@sierraclub.org
Subject: *Submitted testimony for HB2517 on Feb 25, 2016 13:00PM*



HB2517

Submitted on: 2/25/2016

Testimony for FIN on Feb 25, 2016 13:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Marti Townsend	Sierra Club of Hawai'i	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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