A BILL FOR AN ACT

RELATING TO FIRE PROTECTION.

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

SECTION 1. The legislature finds that automatic fire sprinkler systems have a proven record of significantly reducing loss of life, injury, and property damage caused by fires. The legislature also finds that eight out of ten deaths caused by fire occur in the home. Only the sprinkler head closest to the fire will activate and eighty-five per cent of fires are contained by the operation of just one sprinkler. Today's newer homes pose inherent fire hazards that not only affect occupants, but also firefighters. This is due to the following:

(1) Engineered lumber is now used as a composite joist or beam as part of today's modern, lightweight construction material. Compared with traditional wood materials in older homes, lightweight construction assemblies collapse in six minutes versus eighteen minutes for wood;

(2) Modern furnishings burn quicker and hotter than traditional legacy furnishings. These place not only
occupants, but fire fighters in extreme peril when a fire occurs in a home without sprinklers; and

(3) Open plan designs contribute to rapid fire spread. Higher ceiling heights and open plan designs with less compartmentalization provide larger volumes of oxygen to promote fire spread.

California, Maryland, and the District of Columbia require residential sprinklers in all new one- and two-family dwellings. Approximately eighteen states do not require sprinklers, but allow local jurisdictions to require them. Communities that have adopted a residential sprinkler requirement in new one- and two-family dwellings have not seen any decrease in the residential construction or the sale of new homes, and the economies of scale reduce costs. However, residential fire sprinklers in one- and two-family dwellings are rare in Hawaii. One reason for the lack of residential fire sprinklers is the cost. The legislature finds that an incentive is needed to encourage the installation of fire sprinklers in new homes.

The purpose of this Act is to provide an incentive to owner/occupants to install an automatic fire sprinkler system in any new one- or two-family dwelling of a building that is used
only for residential purposes, by establishing a tax credit for
a percentage of the actual cost of the system, including
installation, water meter, and permitting fees.

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

"§235- Tax credit to promote the installation of fire
sprinklers in residences. (a) Any qualifying taxpayer who owns
and occupies a dwelling unit and files an individual income tax
return for a taxable year may claim an income tax credit under
this section against the Hawaii state individual net income tax.

(b) The tax credit may be claimed for an eligible
automatic fire sprinkler system that is installed and placed in
service by the taxpayer during the taxable year in any one- or
two-family dwelling unit in a building that is used only for
residential purposes. For each automatic sprinkler system, the
tax credit that may be claimed shall be no more than thirty per
cent of the actual cost of the system, including installation,
water meter, and permitting fees; provided that:

(1) Only the owner/occupant of the dwelling or the
purchaser installing the automatic sprinkler system in
a new one- or two-family dwelling used only for
residential purposes shall be entitled to a single tax
credit;

(2) Only one credit may be claimed per tax map key number;
and

(3) The amount of the credit taken shall not exceed
$10,000.

(c) The basis of eligible property for depreciation or
accelerated cost recovery system purposes for state income taxes
shall be reduced by the amount of credit allowable and claimed.

No deduction shall be allowed for that portion of otherwise
deductible qualified costs for which a credit is claimed under
this section.

(d) If the tax credit claimed by the taxpayer under this
section exceeds the amount of the income tax payments due from
the taxpayer, the excess of credit over payments due shall be
used as a credit against the taxpayer’s income tax liability in
subsequent years until exhausted.

(e) The director of taxation shall prepare forms that may
be necessary to claim a credit under this section, may require
proof of the claim for the tax credit, and may adopt rules pursuant to chapter 91 necessary to carry out this section.

(f) All of the provisions relating to assessments and refunds under this chapter and under section 231-23(c)(1) shall apply to the tax credit under this section.

(g) Claims for the tax credit under this section, including any amended claims, shall be filed on or before the end of the twelfth month following the taxable year for which the credit may be claimed.

(h) If the State or a county requires an automatic fire sprinkler system to be installed, no claim for a tax credit for the automatic sprinkler shall be allowed for the dwelling for which an automatic fire sprinkler system is required."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval and shall:

(1) Apply to taxable years beginning after December 31, 2018; and
(2) Be repealed on June 30, 2029.
Report Title:
State Fire Council Package; Fire Protection; Fire Sprinklers; Tax Credit

Description:
Establishes a tax credit of 30% of the actual cost, including installation, water meter, and permitting fees, of an automatic fire sprinkler system in any one- and two-family dwelling in a structure used only for residential purposes. Sunsets 6/30/2029.

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