A BILL FOR AN ACT

RELATING TO FIRE PROTECTION.

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

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

"§235- Automatic fire sprinkler system; income tax credit. (a) For taxable years beginning after December 31, 2019, there shall be allowed to each individual taxpayer subject to the tax imposed under this chapter, an automatic fire sprinkler system tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(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 a dwelling unit that is used only for residential purposes. The tax credit that may be claimed for each automatic sprinkler system shall be
no more than \text{\underline{\hspace{2cm}}} per cent of the actual cost of the system, including installation, water, and permit fees; provided that:

(1) Only the owner-occupant of the dwelling or the purchaser installing the automatic fire sprinkler system used only for residential purposes shall be entitled to the 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 \$\text{\underline{\hspace{2cm}}}.

(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 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 county requires an automatic fire sprinkler system to be installed by an individual taxpayer, that taxpayer shall not be eligible to claim a tax credit under this section.

SECTION 2. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval and shall apply to taxable years beginning after December 31, 2019.
Report Title:
Fire Sprinklers; Income Tax Credit

Description:
Establishes a tax credit of an unspecified percentage of the actual cost, including installation, water meter, and permitting fees, not to exceed an unspecified amount, for an automatic fire sprinkler system installed in any dwelling unit used only for residential purposes.

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