



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
P. O. BOX 3378  
HONOLULU, HI 96801-3378

In reply, please refer to:  
File:

**Administrative Rules, Title 11, Chapter 62, Wastewater Systems (HAR 11-62)**  
**Implementing Act 120 – Temporary Tax Credit for Cesspools**

**What is Act 120?**

Act 120 provides a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a septic tank system or an aerobic treatment unit system, or connecting to a sewer system. A taxpayer may apply for a tax credit of up to \$10,000 for each qualified cesspool. Tax credits are available for five years. The tax credit starts in tax year 2016, January 1, 2016 and ends in tax year 2020, December 31, 2020. There is a \$5,000,000 cap that is available for each tax year. Any taxpayer who is not eligible to claim the credit in a taxable year shall be eligible to claim the credit in the subsequent taxable years from 2017 to 2020.

**What is a qualified cesspool covered under Act 120?**

Qualified cesspools are cesspools that are: Located within 200 feet of a shoreline, perennial stream, wetland, or within a source water assessment program area (two year time of travel from a cesspool to a public drinking water source).

**What is DOH's role in implementing Act 120?**

DOH is responsible for certifying the qualified cesspools and expenses that will be eligible for a tax credit. DOH will notify the taxpayer and the Department of Taxation of the amount of the tax credit that will be eligible for the tax year.

**When can I apply for the tax credit?**

Revisions to HAR 11-62 have to be promulgated before a taxpayer will be able to apply for a tax credit starting in calendar year 2016. DOH is working on the rules and hopes to promulgate them by the end of this year.