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**A BILL FOR AN ACT**

RELATING TO TAX CREDITS FOR ENERGY STAR RATED APPLIANCES.

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

1           SECTION 1. The legislature finds that the use of energy  
2 efficient electric appliances can save consumers money while  
3 slowing increased demands placed upon the State's electric  
4 utility systems. Because inefficient appliances use more  
5 electricity, they cost more to use, create an increase in the  
6 use of petroleum based products, add to green house gas  
7 emissions, and contribute to the need for greater electricity  
8 generating capacity. By encouraging consumers to use more  
9 energy efficient appliances, the State can help mitigate these  
10 types of adverse environmental and economic impacts.

11           The legislature also finds that Energy Star is a voluntary  
12 labeling program, supported by the federal government, that  
13 identifies and promotes energy efficient products that help  
14 businesses and individuals save money and protect the  
15 environment. Through its partnerships with more than 8,000  
16 private and public sector organizations, Energy Star delivers  
17 the technical information and tools that organizations and  
18 consumers need to choose energy efficient solutions and best

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1 management practices. It is estimated by the United States  
2 Department of Energy that the Energy Star program has saved  
3 participating businesses, consumers, governments, and other  
4 organizations about \$10 billion in 2004 alone.

5 The legislature further finds that the State should take a  
6 more active role in promoting and encouraging energy efficiency  
7 by making state tax incentives available for consumers who  
8 purchase these products in an effort to be more energy  
9 efficient. Despite significant, long-term savings, many  
10 consumers are hesitant to buy energy efficient appliances  
11 because they cost more at the time of purchase than other models  
12 do. Encouraging the purchase and use of energy-efficient  
13 appliances through a tax credit will save consumers money, help  
14 the State reduce its dependence on petroleum products, preserve  
15 Hawaii's delicate environment, and reduce the need for building  
16 new electric generation capacity.

17 The purpose of this Act is to create an income tax credit  
18 for certain Energy Star approved appliances.

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

22 "§235- Energy Star rated appliance tax credit. (a)

1 There shall be allowed to each taxpayer subject to the taxes  
2 imposed by this chapter a non-refundable income tax credit that  
3 shall be applied to the taxpayer's net income tax liability, if  
4 any, imposed by this chapter for the taxable year in which the  
5 credit is properly claimed. The tax credit may be claimed for  
6 the retail purchase of appliances that satisfy the energy  
7 efficiency guidelines established by the federal environmental  
8 protection agency and the federal department of energy under the  
9 Energy Star program.

10 (b) The amount of the credit shall be ten per cent of the  
11 retail purchase price of any qualifying appliances purchased by  
12 the taxpayer during the taxable year, or \$1,500, whichever is  
13 less.

14 (c) For purposes of this section "appliances" means air  
15 conditioners, dishwashers, refrigerators, freezers, clothes  
16 washers, and dehumidifiers.

17 (d) All claims, including amended claims, for a credit  
18 under this section must be properly filed on or before the end  
19 of the twelfth month following the close of the taxable year for  
20 which the credit may be claimed. Failure to comply with the  
21 forgoing provision shall constitute a waiver of the credit.

22 (e) The director of taxation shall prepare any form that

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1 may be necessary to claim a credit under this section. The  
2 director may also require the taxpayer to furnish information to  
3 ascertain the validity of the claim for credit made under this  
4 section and may adopt rules necessary to effectuate the purposes  
5 of this section pursuant to chapter 91."

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act, upon its approval, shall apply to  
8 taxable years beginning after December 31, 2006.

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INTRODUCED BY: Calvin K. Ray  
BY REQUEST

JAN 22 2007

JUSTIFICATION SHEET

DEPARTMENT: Department of Commerce and Consumer Affairs

TITLE A BILL FOR AN ACT RELATING TO TAX CREDITS FOR ENERGY STAR RATED APPLIANCES.

PURPOSE: To promote greater energy efficiency and demand side management awareness among consumers, both business and residential, by creating an income tax credit that may be claimed for the retail purchase of air conditioners, dishwashers, refrigerators, freezers, clothes washers, and dehumidifiers that satisfy the energy efficiency guidelines established by the federal Environmental Protection Agency and the federal Department of Energy under the Energy Star program. The amount of the credit shall be ten percent of the retail purchase price of the appliance or appliances purchased during the taxable year or \$1,500, whichever is less.

MEANS: Add a new section to chapter 235, Hawaii Revised Statutes.

JUSTIFICATION: Encouraging energy efficiency in this way will help the State reduce its dependence on imported fossil fuels, preserve Hawaii's delicate environment, and reduce the need for building new electric generation capacity.

Impact on the public: This bill will save consumers money while encouraging energy conservation and efficiency, which will protect the environment and may decrease the need for more generation capacity.

Impact on the department and other agencies: This bill will have no impact on the department but will impact the Department of Taxation because it will require that department to make administrative changes in administering and tracking the credit.

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GENERAL FUND: \$1,175,000

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION:

OTHER AFFECTED  
AGENCIES: Department of Taxation

EFFECTIVE DATE: Upon approval, and shall apply to taxable  
years beginning after December 31, 2006.