H.B. NO. 2839

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A BILL FOR AN ACT

RELATING TO TAX EXEMPTIONS.

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

1	SECTION 1. Chapter 237, Hawaii Revised Statutes, is
2	amended by adding a new section to be appropriately designated
3	and to read as follows:
4	"§237- Exemption for certain machinery and equipment
5	used directly in the generation of electricity. (a) The tax
6	imposed under this chapter shall not apply to sales of machinery
7	and equipment used directly in the generation of electricity
8	using fuel cells, hydrogen, biomass, wind, the sun, the ocean,
9	geothermal energy, waste heat, hydroelectric power, or landfill
10	gas as the principal source of power, or to sales of or charges
11	made for labor and services rendered with respect to the
12	installation of such machinery and equipment; provided that the
13	purchaser develops with such machinery, equipment, and labor a
14	facility capable of generating not less than two hundred watts
15	per day of electricity and provides the seller with an exemption
16	certificate in a form and manner prescribed by the department.
17	The seller shall retain a copy of the certificate for the
18	seller's files.



1	(b)	Machinery and equipment shall be considered to be used
2	directly	in the generation of electricity using fuel cells,
3	hydrogen,	biomass, wind, the sun, the ocean, geothermal energy,
4	waste hea	t, hydroelectric power, or landfill gas; provided that
5	it:	
6	(1)	Provides any part of the process that captures the
7		energy of fuel cells, hydrogen, biomass, wind, the
8		sun, the ocean, geothermal energy, waste heat,
9		hydroelectric power, or landfill gas;
10	(2)	Converts that energy to electricity; and
11	(3)	Stores, transforms, or transmits that electricity for
12		entry into or operation in parallel with electric
13		transmission and distribution systems.
14	(C)	As used in this section:
15	"Fue	l cell" means a device that uses an electrochemical
16	reaction	that generates electricity by combining atoms of
17	hydrogen	and oxygen in the presence of a catalyst.
18	"Lan	dfill gas" means biomass fuel of the type qualified for
19	federal t	ax credits under 26 U.S.C. Section 29 collected from a
20	landfill.	
21	"Mac	hinery and equipment" means industrial fixtures,
22	devices,	and support facilities that are integral and necessary
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1	to the ge	neration of electricity using fuel cells, hydrogen,
2	biomass,	wind, the sun, the ocean, geothermal energy, waste
3	heat, hyd	roelectric power, or landfill gas as the principal
4	source of	power.
5	"Mac	hinery and equipment" does not include:
6	(1)	Hand-powered tools;
7	(2)	Property with a useful life of less than one year;
8	(3)	Repair parts required to restore machinery and
9		equipment to normal working order;
10	(4)	Replacement parts that do not increase productivity,
11		improve efficiency, or extend the useful life of
12		machinery and equipment;
13	(5)	Buildings; or
14	(6)	Building fixtures that are not integral and necessary
15		to the generation of electricity that are permanently
16		affixed to and become a physical part of a building."
17	SECT	ION 2. Chapter 238, Hawaii Revised Statutes, is
18	amended b	y adding a new section to be appropriately designated
19	and to re	ad as follows:
20	" <u>§23</u>	8- Exemption for certain machinery and equipment
21	used dire	ctly in the generation of electricity. (a) The tax
22	imposed u	nder this chapter shall not apply to sales of machinery



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1	and equipment used directly in the generation of electricity
2	using fuel cells, hydrogen, biomass, wind, the sun, the ocean,
3	geothermal energy, waste heat, hydroelectric power, or landfill
4	gas as the principal source of power, or to sales of or charges
5	made for labor and services rendered with respect to the
6	installation of such machinery and equipment; provided that the
7	purchaser develops with such machinery, equipment, and labor a
8	facility capable of generating not less than two hundred watts
9	of electricity and provides the seller with an exemption
10	certificate in a form and manner prescribed by the department.
11	The seller shall retain a copy of the certificate for the
12	seller's files.
13	(b) Machinery and equipment shall be considered to be used
14	directly in the generation of electricity using fuel cells,
15	hydrogen, biomass, wind, the sun, the ocean, geothermal energy,
16	waste heat, hydroelectric power, or landfill gas; provided that
17	<u>it:</u>
18	(1) Provides any part of the process that captures the
19	energy of fuel cells, hydrogen, biomass, wind, the
20	sun, the ocean, geothermal energy, waste heat,
21	hydroelectric power, or landfill gas;
22	(2) Converts that energy to electricity; and



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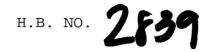
1	(3) Stores, transforms, or transmits that electricity for
2	entry into or operation in parallel with electric
3	transmission and distribution systems.
4	(c) As used in this section:
5	"Fuel cell" means a device that uses an electrochemical
6	reaction that generates electricity by combining atoms of
7	hydrogen and oxygen in the presence of a catalyst.
8	"Landfill gas" means biomass fuel of the type qualified for
9	federal tax credits under 26 U.S.C. Section 29 collected from a
10	landfill.
11	"Machinery and equipment" means industrial fixtures,
12	devices, and support facilities that are integral and necessary
13	to the generation of electricity using fuel cells, hydrogen,
14	biomass, wind, the sun, the ocean, geothermal energy, waste
15	heat, hydroelectric power, or landfill gas as the principal
16	source of power.
17	"Machinery and equipment" does not include:
18	(1) Hand-powered tools;
19	(2) Property with a useful life of less than one year;
20	(3) Repair parts required to restore machinery and
21	equipment to normal working order;



1	(4)	Replacement parts that do not increase productivity,
2		improve efficiency, or extend the useful life of
3		machinery and equipment;
4	(5)	Buildings; or
5	(6)	Building fixtures that are not integral and necessary
6		to the generation of electricity that are permanently
7		affixed to and become a physical part of a building."
8	SECT	ION 3. New statutory material is underscored.
9	SECT	ION 4. This Act shall take effect on January 1, 2009;
10	provided	that it shall be repealed on December 31, 2013.
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Report Title:

Tax exemptions; Direct generation of electricity using fuel cells, hydrogen, biomass, wind, the sun, the ocean, geothermal energy, waste heat, hydroelectric power, or landfill gas

Description:

Exempts from the general excise tax and use tax all equipment used directly in the generation of electricity using fuel cells, hydrogen, biomass, wind, the sun, the ocean, geothermal energy, waste heat, hydroelectric power, or landfill gas.

