
A BILL FOR AN ACT

RELATING TO ENERGY STORAGE.

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

1 SECTION 1. Energy storage is a key component of a modern,
2 smart electrical grid, and effective energy storage can help to
3 maximize the use of indigenous renewable energy. Hawaii has
4 successfully utilized a renewable energy tax credit to foster a
5 sustainable local renewable energy industry responsible for
6 creating jobs, catalyzing statewide energy savings, improving
7 our environment, and reducing greenhouse gas emissions.

8 The purpose of this Act is to facilitate the use of
9 renewable energy by encouraging the use of grid-connected energy
10 storage technologies and systems through a tax credit, which is
11 limited in scope and duration, for grid-connected energy storage
12 properties. The tax credit may be claimed as an investment tax
13 credit or utilization tax credit.

14 These two tax credit options are intended to promote the
15 use of grid-connected energy storage that can address the
16 varying needs of our island electric grids with technologies
17 most applicable to those needs.



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

"§235- Energy storage; income tax credit. (a) There shall be allowed to any taxpayer subject to taxes under this chapter, an income tax credit for each grid-connected energy storage property that is installed and placed in service in the State during a taxable year beginning after December 31, 2015; provided that this tax credit shall not be available for taxable years beginning after December 31, 2026. The tax credit may be claimed in either, but not both, of the following forms:

(1) An investment credit equal to:

(A) For a grid-connected energy storage property first placed in service on or before December 31, 2021, per cent of the basis; or

(B) For a grid-connected energy storage property first placed in service after December 31, 2021, and on or before December 31, 2026, per cent of the basis; or

(2) A utilization credit equal to:

(A) For a grid-connected energy storage property first placed in service on or before December 31,



1 2021, cents per kilowatt-hour of energy

2 storage capacity; or

3 (B) For a grid-connected energy storage property

4 first placed in service after December 31, 2021,

5 and on or before December 31, 2026, cents per

6 kilowatt-hour of energy storage capacity.

7 The utilization credit may be claimed during each of

8 the first ten taxable years that the grid-connected

9 energy storage property is in service; provided that

10 this annual utilization credit shall not exceed the

11 product of the energy storage capacity measured in

12 kilowatt-hours, multiplied by 365, multiplied by the

13 applicable number of cents per kilowatt-hour.

14 If a deduction is taken under this chapter, no tax credit

15 shall be allowed for that portion of the grid-connected energy

16 storage property for which the deduction was taken.

17 (b) Multiple owners of a grid-connected energy storage

18 property shall be entitled to a single tax credit, and the tax

19 credit shall be apportioned between the owners in proportion to

20 their contribution to the basis of the grid-connected energy

21 storage property.



1 (c) In the case of a partnership, S corporation, estate,
2 or trust, the tax credit allowable shall be for every eligible
3 grid-connected energy storage property that is installed and
4 placed in service in the State by the entity. The basis upon
5 which the tax credit is computed shall be determined at the
6 entity level. Distribution and share of credit shall be
7 determined pursuant to section 704(b) of the Internal Revenue
8 Code.

9 (d) For the purposes of this section:

10 "Basis" means the actual cost of the grid-connected energy
11 storage property, including accessories, installation, storage
12 devices, power conditioning equipment, control or transfer
13 equipment, support structures, and other equipment related to
14 energy storage and the functioning of those items.

15 Basis shall not include costs for which another credit is
16 claimed under this chapter, costs for equipment which is
17 unrelated to the operation of the grid-connected energy storage
18 property, the dollar value of any rebate received for the grid-
19 connected energy storage property, or the cost of consumer
20 incentive premiums unrelated to the operation of the grid-
21 connected energy storage property or offered with the sale of
22 the grid-connected energy storage property.



1 The basis of the grid-connected energy storage property
2 shall not be reduced by the amount of any federal tax credit or
3 other federally subsidized energy financing received by the
4 taxpayer.

5 "Energy storage capacity" means the amount of electricity,
6 measured in megawatt-hours or megawatts, that may be received by
7 the grid-connected energy storage property for later retrieval.
8 Energy storage capacity shall be determined based on the storage
9 capability of the equipment, not its actual use when in
10 operation.

11 "First placed in service" has the same meaning as in title
12 26 Code of Federal Regulations section 1.167(a)-11(e)(1).

13 "Grid-connected energy storage property" means equipment or
14 devices that are connected to the electrical grid in either a
15 centralized or distributed manner and do one or more of the
16 following:

- 17 (1) Use mechanical, chemical, or thermal processes to
18 store energy received from the electrical grid or a
19 grid-connected renewable energy system, as that term
20 is used in section 269-91, at one time for use at a
21 later time by returning electricity to the grid or by
22 avoiding the need to use electricity from the



1 electrical grid at that later time by a facility or
2 property that is electrical grid-connected;

3 (2) Use mechanical, chemical, or thermal processes to
4 store energy received from the electrical grid or a
5 grid-connected renewable energy system, as that term
6 is used in section 269-91, to provide ancillary
7 services to the electrical grid;

8 (3) Store thermal energy, created from electricity
9 received from the electrical grid or from a grid-
10 connected renewable energy system, as that term is
11 used in section 269-91, for direct use for heating or
12 cooling at a later time in a manner that avoids the
13 need to use electricity from the electrical grid at
14 that later time in a facility or property that is
15 electrical grid-connected; or

16 (4) Enable an energy storage device, primarily designed
17 for use in transportation, with or without vehicles,
18 to store and transmit energy from and to the
19 electrical grid in a manner consistent with paragraph
20 (1) or (2).

21 (e) The director of taxation shall prepare any forms that
22 may be necessary to claim a tax credit under this section,



1 including forms identifying the property type for each tax
2 credit claimed under this section. The director may also
3 require the taxpayer to furnish reasonable information to
4 ascertain the validity of the claim for credit made under this
5 section and may adopt rules necessary to effectuate the purposes
6 of this section pursuant to chapter 91.

7 (f) If the tax credit under subsection (a)(1) or (a)(2)
8 exceeds the taxpayer's income tax liability, the excess of the
9 credit over liability may be used as a credit against the
10 taxpayer's income tax liability in subsequent years until
11 exhausted, unless otherwise elected by the taxpayer pursuant to
12 subsection (g). All claims for the tax credit under this
13 section, including amended claims, shall be filed on or before
14 the end of the twelfth month following the close of the taxable
15 year for which the credit may be claimed. Failure to comply
16 with the foregoing provision shall constitute a waiver of the
17 right to claim the credit.

18 (g) For any grid-connected energy storage property, a
19 taxpayer may elect to reduce the eligible credit amount by
20 thirty per cent and, if this reduced amount exceeds the amount
21 of income tax payment due from the taxpayer, the excess of the
22 credit amount over payments due shall be refunded to the



1 taxpayer; provided that no refund on account of the tax credit
2 allowed by this section shall be made for amounts less than \$1.

3 The election required by this subsection shall be made in a
4 manner prescribed by the director of taxation on the taxpayer's
5 return for the taxable year in which the grid-connected energy
6 storage property is installed and placed in service. A separate
7 election may be made for each separate property that generates a
8 credit. An election once made shall be irrevocable.

9 (h) An association of owners under chapter 514A or 514B, a
10 cooperative housing corporation under chapter 421I, or a planned
11 community association under chapter 421J may claim the credit
12 allowed under this section in its own name for grid-connected
13 energy storage property placed in service and located on common
14 areas.

15 (i) No credit under this section shall be allowed to any
16 federal, state, or local government or any political
17 subdivision, agency, or instrumentality thereof.

18 (j) The department of taxation shall submit a report to
19 the legislature no later than twenty days prior to the convening
20 of each regular session on the following for the most recent
21 taxable year for which the department has data:



1 (1) The number of grid-connected energy storage properties
2 for which a tax credit has been claimed during the
3 taxable year; and

4 (2) The total cost of the tax credit to the State during
5 the taxable year by tax credit type (investment or
6 utilization) and refundability or nonrefundability."

7 SECTION 3. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$ or so much
9 thereof as may be necessary for fiscal year 2015-2016 and the
10 same sum or so much thereof as may be necessary for fiscal year
11 2016-2017 for administration of the tax credit established by
12 section 2 of this Act.

13 The sums appropriated shall be expended by the department
14 of taxation for the purposes of this Act.

15 SECTION 4. If any provision of this Act, or the
16 application thereof to any person or circumstance, is held
17 invalid, the invalidity does not affect other provisions or
18 applications of the Act that can be given effect without the
19 invalid provision or application, and to this end the provisions
20 of this Act are severable.

21 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act shall take effect upon approval and
2 shall apply to taxable years beginning after December 31, 2015,
3 through taxable years ending on or before December 31, 2026;
4 provided that section 3 of this Act shall take effect on July 1,
5 2015.



Report Title:

Energy Storage Tax Credit; Investment; Utilization;
Appropriation

Description:

Establishes an investment-or utilization-based income tax credit for grid-connected energy storage properties installed and placed in service after December 31, 2015. Expires in taxable years beginning after December 31, 2026. Appropriates funds to administer the tax credit. (HB265 HD1)

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