

JAN 17 2018

A BILL FOR AN ACT

RELATING TO ENERGY STORAGE.

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

1 SECTION 1. The legislature finds that the purpose of this
2 Act is to encourage and maximize cost-effective energy storage
3 technologies and systems by establishing an income tax credit for
4 energy storage properties.

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

8 "§235- Energy storage; income tax credit. (a) There
9 shall be allowed to each qualified taxpayer subject to the tax
10 imposed under this chapter, an energy storage income tax credit
11 that shall be deductible from the qualified taxpayer's net
12 income tax liability, if any, imposed by this chapter for the
13 taxable year in which the credit is properly claimed.

14 For each energy storage property that is installed and
15 first placed in service in the State by a taxpayer during the
16 taxable year, the tax credit shall be claimed as follows:



1 (1) Thirty per cent of the basis for energy storage
2 property first placed in service after June 30, 2018,
3 and before January 1, 2020;

4 (2) Twenty-six per cent of the basis for energy storage
5 property first placed in service after December 31,
6 2019, and before January 1, 2021;

7 (3) Twenty-two per cent of the basis for energy storage
8 property first placed in service after December 31,
9 2020, and before January 1, 2022; and

10 (4) Ten per cent of the basis for energy storage property
11 first placed in service after December 31, 2021.

12 (b) Multiple owners of a single energy storage property
13 shall be entitled to a single tax credit, and the tax credit
14 shall be apportioned between the owners in proportion to their
15 contribution to the cost of the property. In the case of a
16 partnership, S corporation, estate, or trust, the tax credit
17 allowable is for qualified costs incurred by the entity for the
18 taxable year. The qualified costs upon which the tax credit is
19 computed shall be determined at the entity level. Distribution
20 and share of credit shall be determined pursuant to section
21 704(b) of the Internal Revenue Code.



1 (c) For taxable years beginning after December 31, 2017,
2 the dollar amount of any utility rebate shall be deducted from
3 the basis of the qualifying energy storage property and its
4 installation before applying the state tax credit.

5 (d) The director of taxation shall prepare any forms that
6 may be necessary to claim a tax credit under this section,
7 including forms identifying the property type of each tax credit
8 claimed under this section. The director may also require the
9 taxpayer to furnish reasonable information to ascertain the
10 validity of the claim for the tax credit made under this section
11 and may adopt rules under chapter 91 necessary to effectuate the
12 purposes of this section.

13 (e) If the tax credit exceeds the taxpayer's income tax
14 liability, the excess of the credit over liability may be used as
15 a credit against the taxpayer's income tax liability in
16 subsequent years until exhausted, unless otherwise elected by the
17 taxpayer pursuant to subsection (f). All claims for the tax
18 credit under this section, including amended claims, shall be
19 filed on or before the end of the twelfth month following the
20 close of the taxable year for which the credit may be claimed.



1 Failure to comply with foregoing provision shall constitute a
2 waiver of the right to claim the credit.

3 (f) For any energy storage property, a taxpayer may elect
4 to reduce the eligible credit amount by thirty per cent and if
5 this reduced amount exceeds the amount of income tax payment due
6 from the taxpayer, the excess of the credit amount over payments
7 due shall be refunded to the taxpayer; provided that tax credit
8 amounts properly claimed by a taxpayer who has no income tax
9 liability shall be paid to the taxpayer; provided further that no
10 refund on account of the tax credit allowed by this section shall
11 be made for amounts less than \$1.

12 The election required by this subsection shall be made in a
13 manner prescribed by the director on the taxpayer's return for
14 the taxable year in which the energy storage property is
15 installed and placed in service. A separate election may be made
16 for each separate property that generates a credit. An election
17 once made is irrevocable.

18 (g) The energy storage tax credit shall be construed in
19 accordance with Treasury Regulations and judicial interpretations
20 of similar provisions in sections 25D, 45, and 48 of the Internal
21 Revenue Code.



1 (h) An association of owners under chapter 421I, 421J,
2 514A, or 514B may claim the energy storage tax credit in its own
3 name for energy storage property and facilities placed in service
4 and located on common areas.

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

8 (j) The department of taxation, in collaboration with the
9 department of business, economic development, and tourism, shall
10 submit a joint report to the legislature annually no later than
11 twenty days prior to the convening of each regular session on the
12 following for the preceding taxable year:

13 (1) The number of energy storage properties that have
14 qualified for a tax credit during the calendar year
15 by:

16 (A) Property type; and

17 (B) Taxpayer type (corporate and individual);

18 (2) The total cost of the tax credit to the State during
19 the taxable year by:

20 (A) Property type;

21 (B) Taxpayer type;



1 (C) Tax credit type (investment or production); and

2 (D) Refundability type (refundable or nonrefundable);

3 and

4 (3) The estimated economic benefit that may be

5 attributable to the energy storage tax credit,

6 including:

7 (A) Impact on the economy, including:

8 (i) Economic boost;

9 (ii) Net flow of money into or out of the State;

10 and

11 (iii) General excise and income tax revenue

12 generated; and

13 (B) Jobs, including:

14 (i) Number of jobs maintained;

15 (ii) Number of jobs created; and

16 (iii) Average pay.

17 (k) The department of business, economic development, and
18 tourism shall commence a study no later than July 1, 2020, on the
19 costs incurred and benefits generated by the energy storage tax
20 credit, as well as the extent to which the tax credit has helped
21 the State to achieve its energy goals. In conducting this study,



1 the department of business, economic development, and tourism
2 shall consult with the department of taxation and industry trade
3 groups and may consult with other stakeholders. The department
4 of business, economic development, and tourism shall submit a
5 report to the legislature no later than December 31, 2021. The
6 report to the legislature shall include, at a minimum, the
7 following:

8 (1) The annual report requirements listed in subsection
9 (j);

10 (2) The results of its study; and

11 (3) Recommendations on whether the tax credit under this
12 section should be wholly or partially continued,
13 eliminated, or revised.

14 (1) As used in this section:

15 "Basis" means costs related to the energy storage property,
16 including accessories, energy storage, and installation, but does
17 not include the cost of consumer incentive premiums unrelated to
18 the operation of the energy storage property or offered with the
19 sale of the energy storage property and costs for which another
20 credit is claimed under this chapter. Any cost incurred and paid
21 for the repair, construction, or reconstruction of a structure in



1 conjunction with the installation and placing in service of
2 energy storage property shall not constitute a part of the basis;
3 provided that costs incurred for the physical support of the
4 energy storage property shall constitute part of the basis.
5 Basis shall be consistent with the use of basis in section 25D or
6 section 48 of the Internal Revenue Code; provided that, for the
7 purposes of calculating the credit allowed under this section,
8 the basis of the energy storage property shall not be reduced by
9 the amount of any federal tax credit or other federally
10 subsidized energy financing received by the taxpayer.

11 "Energy storage property" means equipment that receives,
12 stores, and delivers energy, the construction, reconstruction, or
13 erection of which is completed by the taxpayer, or which is
14 acquired by the taxpayer if the original use of the property
15 commences with the taxpayer.

16 "First placed in service" has the same meaning as in
17 Treasury Regulation section 1.167(a)-11(e)(1)."

18 SECTION 3. New statutory material is underscored.



S.B. NO. 2016

1 SECTION 4. This Act shall apply to taxable years beginning
2 after December 31, 2017.
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S.B. NO. 2016

Report Title:

Energy Storage; Income Tax Credit

Description:

Establishes an income tax credit for energy storage.

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