
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. Section 196-6.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§196-6.5 Solar water heater system required for new
4 single-family residential construction. (a) On or after
5 January 1, 2010, no building permit shall be issued for a new
6 single-family dwelling that does not include a solar water
7 heater system that meets the standards established pursuant to
8 section 269-44, unless the coordinator approves a variance. A
9 variance application shall only be accepted if submitted by an
10 architect or mechanical engineer licensed under chapter 464, who
11 attests that:

- 12 (1) Installation is impracticable due to poor solar
13 resource;
- 14 (2) Installation is cost-prohibitive based upon a life
15 cycle cost-benefit analysis that incorporates the
16 average residential utility bill and the cost of the



1 new solar water heater system with a life cycle that
2 does not exceed fifteen years;

3 (3) A renewable energy technology system [~~as defined in~~
4 ~~section 235-12.5,~~] is substituted for use as the
5 primary energy source for heating water; or

6 (4) A demand water heater device approved by Underwriters
7 Laboratories, Inc., is installed; provided that at
8 least one other gas appliance is installed in the
9 dwelling. For the purposes of this paragraph, "demand
10 water heater" means a gas-tankless instantaneous water
11 heater that provides hot water only as it is needed.

12 (b) A request for a variance shall be submitted to the
13 coordinator on an application prescribed by the coordinator and
14 shall include a description of the location of the property and
15 justification for the approval of a variance using the criteria
16 established in subsection (a). A variance shall be deemed
17 approved if not denied within thirty working days after receipt
18 of the variance application. The coordinator shall publicize:

19 (1) All applications for a variance within seven days
20 after receipt of the variance application; and



1 (2) The disposition of all applications for a variance
2 within seven days of the determination of the variance
3 application.

4 (c) The director of business, economic development, and
5 tourism may adopt rules pursuant to chapter 91 to impose and
6 collect fees to cover the costs of administering variances under
7 this section. The fees, if any, shall be deposited into the
8 energy security special fund established under section 201-12.8.

9 (d) Nothing in this section shall preclude any county from
10 establishing procedures and standards required to implement this
11 section.

12 (e) Nothing in this section shall preclude participation
13 in any utility demand-side management program or public benefits
14 fee program under part VII of chapter 269.

15 (f) As used in this section, "renewable energy technology
16 system" means a new system that captures and converts a
17 renewable source of energy, such as solar or wind energy, into:

18 (1) A usable source of thermal or mechanical energy;

19 (2) Electricity; or

20 (3) Fuel."



1 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§235-12.5 ~~[Renewable energy technologies;]~~ Solar energy,
4 energy storage, wind energy system; income tax credit. (a)

5 When the requirements of subsection ~~[(d)]~~ (c) are met, each
6 individual or corporate taxpayer that files an individual or
7 corporate net income tax return for a taxable year may claim a
8 tax credit under this section against the Hawaii state
9 individual or corporate net income tax. ~~[The tax credit may be~~
10 ~~claimed for every eligible renewable energy technology system~~
11 ~~that is installed and placed in service in the State by a~~
12 ~~taxpayer during the taxable year.]~~ The tax credit may be
13 claimed as follows:

14 (1) For each solar energy system~~[-]~~ that is used
15 exclusively to heat water and is installed and first
16 placed in service in the State by a taxpayer during
17 the taxable year: thirty-five per cent of the ~~[actual~~
18 ~~cost or the cap amount determined in subsection (b),~~
19 ~~whichever is less; or]~~ basis up to the applicable cap
20 amount, which is determined as follows:



1 (A) \$2,250 per solar energy system for single-family
2 residential property;

3 (B) \$350 per unit per solar energy system for multi-
4 family residential property; and

5 (C) \$250,000 per solar energy system for commercial
6 property;

7 (2) For each solar energy system that is used primarily to
8 generate electricity and is installed and first placed
9 in service in the State by a taxpayer during the
10 taxable year:

11 (A) Twenty-five per cent of the basis for solar
12 energy system first placed in service after
13 December 31, 2018, and before January 1, 2024, up
14 to the applicable cap amount, which is determined
15 as follows:

16 (i) \$5,000 per solar energy system for single-
17 family residential property; provided that
18 if all or a portion of the solar energy
19 system is used to fulfill the substitute
20 renewable energy technology requirement
21 pursuant to section 196-6.5(a)(3), the



1 credit shall be reduced by twenty-five per
2 cent of the basis or \$2,250, whichever is
3 less;

4 (ii) \$350 per unit per solar energy system for
5 multi-family residential property; and

6 (iii) \$500,000 per solar energy system for
7 commercial property;

8 provided that a solar energy system that has an
9 executed customer service contract dated prior to
10 June 30, 2018, shall receive thirty-five per cent
11 of the basis for the solar energy system, up to
12 the applicable cap amount as described in this
13 subparagraph, if the solar energy system is
14 installed and first placed in service before
15 December 31, 2019;

16 (B) Twenty per cent of the basis for solar energy
17 system first placed in service after December 31,
18 2023, and before January 1, 2025, up to the
19 applicable cap amount, which is determined as
20 follows:

- 1 (i) \$5,000 per solar energy system for single-
- 2 family residential property; provided that
- 3 if all or a portion of the solar energy
- 4 system is used to fulfill the substitute
- 5 renewable energy technology requirement
- 6 pursuant to section 196-6.5(a)(3), the
- 7 credit shall be reduced by twenty per cent
- 8 of the basis or \$2,250, whichever is less;
- 9 (ii) \$350 per unit per solar energy system for
- 10 multi-family residential property; and
- 11 (iii) \$500,000 per solar energy system for
- 12 commercial property; and
- 13 (C) Fifteen per cent of the basis for solar energy
- 14 system first placed in service after December 31,
- 15 2024, up to the applicable cap amount, which is
- 16 determined as follows:
- 17 (i) \$5,000 per solar energy system for single-
- 18 family residential property; provided that
- 19 if all or a portion of the solar energy
- 20 system is used to fulfill the substitute
- 21 renewable energy technology requirement



1 pursuant to section 196-6.5(a)(3), the
2 credit shall be reduced by fifteen per cent
3 of the basis or \$2,250, whichever is less;

4 (ii) \$350 per unit per solar energy system for
5 multi-family residential property; and

6 (iii) \$500,000 per solar energy system for
7 commercial property;

8 (3) For each solar energy system that is used primarily to
9 generate electricity and is installed and first placed
10 in service in the State by a taxpayer during the
11 taxable year; provided that the solar energy system is
12 grid-connected and incorporates an energy storage
13 system:

14 (A) Twenty-five per cent of the basis for solar
15 energy system first placed in service after
16 December 31, 2018, and before January 1, 2024, up
17 to the applicable cap amount, which is determined
18 as follows:

19 (i) \$10,000 per solar energy system for single-
20 family residential property; provided that
21 if all or a portion of the solar energy



1 system is used to fulfill the substitute
2 renewable energy technology requirement
3 pursuant to section 196-6.5(a)(3), the
4 credit shall be reduced by twenty-five per
5 cent of the basis or \$2,250, whichever is
6 less;

7 (ii) \$700 per unit per solar energy system for
8 multi-family residential property; and

9 (iii) \$500,000 per solar energy system for
10 commercial property;

11 provided that a solar energy system that has an
12 executed customer service contract dated prior to
13 June 30, 2018, shall receive thirty-five per cent
14 of the basis for the solar energy system, up to
15 the applicable cap amount as described in this
16 subparagraph, if the solar energy system is
17 installed and first placed in service before
18 December 31, 2019;

19 (B) Twenty per cent of the basis for solar energy
20 system first placed in service after December 31,
21 2023, and before January 1, 2025, up to the



1 applicable cap amount, which is determined as
2 follows:
3 (i) \$10,000 per solar energy system for single-
4 family residential property; provided that
5 if all or a portion of the solar energy
6 system is used to fulfill the substitute
7 renewable energy technology requirement
8 pursuant to section 196-6.5(a)(3), the
9 credit shall be reduced by twenty per cent
10 of the basis or \$2,250, whichever is less;
11 (ii) \$700 per unit per solar energy system for
12 multi-family residential property; and
13 (iii) \$500,000 per solar energy system for
14 commercial property; and
15 (C) Fifteen per cent of the basis for solar energy
16 system first placed in service after December 31,
17 2024, up to the applicable cap amount, which is
18 determined as follows:
19 (i) \$10,000 per solar energy system for single-
20 family residential property; provided that
21 if all or a portion of the solar energy



1 system is used to fulfill the substitute
2 renewable energy technology requirement
3 pursuant to section 196-6.5(a)(3), the
4 credit shall be reduced by fifteen per cent
5 of the basis or \$2,250, whichever is less;

6 (ii) \$700 per unit per solar energy system for
7 multi-family residential property; and

8 (iii) \$500,000 per solar energy system for
9 commercial property;

10 (4) For each energy storage system that is installed and
11 first placed in service in the State by a taxpayer
12 during the taxable year, if the cost of the energy
13 storage system is not also included in the basis of a
14 solar or wind energy system under this subsection:

15 (A) Twenty-five per cent of the basis for energy
16 storage system first placed in service after
17 December 31, 2018, and before January 1, 2024, up
18 to the applicable cap amount, which is determined
19 as follows:

20 (i) \$5,000 per energy storage system for single-
21 family residential property;



- 1 (ii) \$350 per unit per energy storage system for
- 2 multi-family residential property; and
- 3 (iii) \$500,000 per energy storage system for
- 4 commercial property;

5 provided that an energy storage system that has
6 an executed customer service contract dated prior
7 to June 30, 2018, shall receive thirty-five per
8 cent of the basis for the energy storage system
9 system, up to the applicable cap amount as
10 described in this subparagraph, if the energy
11 storage system is installed and first placed in
12 service before December 31, 2019;

13 (B) Twenty per cent of the basis for energy storage
14 system first placed in service after December 31,
15 2023, and before January 1, 2025, up to the
16 applicable cap amount, which is determined as
17 follows:

- 18 (i) \$5,000 per energy storage system for single-
- 19 family residential property;
- 20 (ii) \$350 per unit per energy storage system for
- 21 multi-family residential property; and



- 1 (iii) \$500,000 per energy storage system for
2 commercial property; and
- 3 (C) Fifteen per cent of the basis for energy storage
4 system first placed in service after December 31,
5 2024, up to the applicable cap amount, which is
6 determined as follows:
- 7 (i) \$5,000 per energy storage system for single-
8 family residential property;
- 9 (ii) \$350 per unit per energy storage system for
10 multi-family residential property; and
- 11 (iii) \$500,000 per energy storage system for
12 commercial property;
- 13 (5) For each combined energy storage and solar energy
14 system that is installed and first placed in service
15 in the State by a taxpayer during the taxable year,
16 the applicable credit available for an energy storage
17 system under paragraph (4) of this subsection plus one
18 half of the available applicable credit for a solar
19 energy system under paragraph (2) or (3) of this
20 section; and



1 ~~[(2)]~~ (6) For each ~~[wind-powered]~~ wind energy system~~[+]~~,
2 twenty per cent of the ~~[actual cost or the cap amount~~
3 ~~determined in subsection (b), whichever is less,]~~
4 basis, up to the applicable cap amount, which is
5 determined as follows:

6 (A) \$1,500 per wind energy system for single-family
7 residential property; provided that if all or a
8 portion of the system is used to fulfill the
9 substitute renewable energy technology
10 requirement pursuant to section 196-6.5(a)(3),
11 the credit shall be reduced by twenty per cent of
12 the basis or \$1,500, whichever is less;

13 (B) \$200 per unit per wind energy system for multi-
14 family residential property; and

15 (C) \$500,000 per wind energy system for commercial
16 property.

17 ~~[provided that multiple]~~ Multiple owners of a single system
18 shall be entitled to a single tax credit~~[+]~~, and ~~[provided~~
19 ~~further that]~~ the tax credit shall be apportioned between the
20 owners in proportion to their contribution to the cost of the
21 system.



1 In the case of a partnership, S corporation, estate, or
2 trust, the tax credit allowable is for every eligible [~~renewable~~
3 ~~energy technology~~] solar or wind energy system that is installed
4 and placed in service in the State by the entity. The cost 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 [~~235-110.7(a).~~] 704(b) of the
8 Internal Revenue Code.

9 [~~(b) The amount of credit allowed for each eligible~~
10 ~~renewable energy technology system shall not exceed the~~
11 ~~applicable cap amount, which is determined as follows:~~

12 ~~(1) If the primary purpose of the solar energy system is~~
13 ~~to use energy from the sun to heat water for household~~
14 ~~use, then the cap amounts shall be:~~

15 ~~(A) \$2,250 per system for single-family residential~~
16 ~~property;~~

17 ~~(B) \$350 per unit per system for multi-family~~
18 ~~residential property; and~~

19 ~~(C) \$250,000 per system for commercial property;~~

20 ~~(2) For all other solar energy systems, the cap amounts~~
21 ~~shall be:~~



- 1 ~~(A) \$5,000 per system for single family residential~~
2 ~~property; provided that if all or a portion of~~
3 ~~the system is used to fulfill the substitute~~
4 ~~renewable energy technology requirement pursuant~~
5 ~~to section 196-6.5(a)(3), the credit shall be~~
6 ~~reduced by thirty five per cent of the actual~~
7 ~~system cost or \$2,250, whichever is less;~~
8 ~~(B) \$350 per unit per system for multi-family~~
9 ~~residential property; and~~
10 ~~(C) \$500,000 per system for commercial property; and~~
11 ~~(3) For all wind powered energy systems, the cap amounts~~
12 ~~shall be:~~
13 ~~(A) \$1,500 per system for single family residential~~
14 ~~property; provided that if all or a portion of~~
15 ~~the system is used to fulfill the substitute~~
16 ~~renewable energy technology requirement pursuant~~
17 ~~to section 196-6.5(a)(3), the credit shall be~~
18 ~~reduced by twenty per cent of the actual system~~
19 ~~cost or \$1,500, whichever is less;~~
20 ~~(B) \$200 per unit per system for multi-family~~
21 ~~residential property; and~~



1 ~~(C) \$500,000 per system for commercial property.~~

2 ~~(e)]~~ (b) For the purposes of this section:

3 ~~["Actual cost" means costs related to the renewable energy~~
4 ~~technology systems under subsection (a), including accessories~~
5 ~~and installation, but not including the cost of consumer~~
6 ~~incentive premiums unrelated to the operation of the system or~~
7 ~~offered with the sale of the system and costs for which another~~
8 ~~credit is claimed under this chapter.~~

9 ~~"Household use" means any use to which heated water is~~
10 ~~commonly put in a residential setting, including commercial~~
11 ~~application of those uses.~~

12 ~~"Renewable energy technology system" means a new system~~
13 ~~that captures and converts a renewable source of energy, such as~~
14 ~~solar or wind energy, into:~~

15 ~~(1) A usable source of thermal or mechanical energy;~~

16 ~~(2) Electricity; or~~

17 ~~(3) Fuel.]~~

18 "Basis" means costs related to the solar energy, wind
19 energy, or energy storage system under subsection (a), including
20 accessories, energy storage, and installation, but does not
21 include the cost of consumer incentive premiums unrelated to the



1 operation of the energy system or offered with the sale of the
2 energy system and costs for which another credit is claimed
3 under this chapter. Any cost incurred and paid for the repair,
4 construction, or reconstruction of a structure in conjunction
5 with the installation and placing in service of solar or wind
6 energy system, such as the reroofing of single-family
7 residential property, multi-family residential property, or
8 commercial property, shall not constitute a part of the basis for
9 the purpose of this section; provided that costs incurred for the
10 physical support of the solar or wind energy system, such as
11 racking and mounting equipment and costs incurred to seal or
12 otherwise return a roof to its pre-installation condition shall
13 constitute part of the basis for the purposes of this section.

14 The basis used under this section shall be consistent with
15 the use of basis in section 25D or section 48 of the Internal
16 Revenue Code.

17 "Energy storage system" means any identifiable facility,
18 equipment, or apparatus, including battery, grid-interactive
19 water heater, ice storage air conditioner, or the like, that is
20 permanently fixed to a site and electrically connected to a site
21 distribution panel by means of an installed wiring, and that



1 receives electricity generated from various sources, stores that
2 electricity as electrical, chemical, thermal, or mechanical
3 energy, and delivers the energy back to an electric utility or
4 the user of the electric system at a later time.

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

7 "Grid-connected" means that the individual or corporate
8 taxpayer has obtained an approved interconnection agreement from
9 an electric utility for the solar energy system or whose
10 facility does not have an existing tie to the electric grid.

11 "Solar or wind energy system" means any identifiable
12 facility, equipment, apparatus, or the like that converts solar
13 or wind energy to useful thermal or electrical energy for
14 heating, cooling, or reducing the use of other types of energy
15 that are dependent upon fossil fuel for their generation[-];
16 provided that:

17 (1) The construction, reconstruction, or erection of the
18 solar or wind energy system is completed by the
19 taxpayer; or



1 (2) The solar or wind energy system is acquired by the
2 taxpayer if the original use of the solar or wind
3 energy system commences with the taxpayer.

4 [~~d~~] (c) For taxable years beginning after December 31,
5 2005, the dollar amount of any utility rebate shall be deducted
6 from the [~~cost~~] basis of the qualifying system and its
7 installation before applying the state tax credit.

8 [~~e~~] (d) The director of taxation shall prepare any forms
9 that may be necessary to claim a tax credit under this section,
10 including forms identifying the technology type of each tax
11 credit claimed under this section [~~, whether for solar or wind~~].
12 The director may also require the taxpayer to furnish reasonable
13 information to ascertain the validity of the claim for credit
14 made under this section and may adopt rules necessary to
15 effectuate the purposes of this section pursuant to chapter 91.

16 [~~f~~] (e) If the tax credit under this section exceeds the
17 taxpayer's income tax liability, the excess of the credit over
18 liability may be used as a credit against the taxpayer's income
19 tax liability in subsequent years until exhausted, unless
20 otherwise elected by the taxpayer pursuant to subsection (f) or
21 (g) [~~or (h)~~]. All claims for the tax credit under this section,



1 including amended claims, shall be filed on or before the end of
2 the twelfth month following the close of the taxable year for
3 which the credit may be claimed. Failure to comply with this
4 subsection shall constitute a waiver of the right to claim the
5 credit.

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

15 The election required by this subsection shall be made in a
16 manner prescribed by the director on the taxpayer's return for
17 the taxable year in which the solar or wind energy system is
18 installed and first placed in service. A separate election may
19 be made for each separate solar or wind energy system that
20 generates a credit. An election once made is irrevocable.



1 [~~(h)~~] (g) Notwithstanding subsection [~~(g)~~] (f), for any
2 [~~renewable energy technology~~] solar or wind energy system, an
3 individual taxpayer may elect to have any excess of the credit
4 over payments due refunded to the taxpayer~~[7]~~ without discount,
5 if:

6 (1) All of the taxpayer's income is exempt from taxation
7 under section 235-7(a)(2) or (3); or

8 (2) The taxpayer's adjusted gross income is \$20,000 or
9 less (or \$40,000 or less if filing a tax return as
10 married filing jointly);

11 provided that tax credits properly claimed by a taxpayer who has
12 no income tax liability shall be paid to the taxpayer; and
13 provided further that no refund on account of the tax credit
14 allowed by this section shall be made for amounts less than \$1.

15 A [~~husband and wife~~] married couple who do not file a joint
16 tax return shall only be entitled to make this election to the
17 extent that they would have been entitled to make the election
18 had they filed a joint tax return.

19 The election required by this subsection shall be made in a
20 manner prescribed by the director on the taxpayer's return for
21 the taxable year in which the solar or wind energy system is



1 installed and first placed in service. A separate election may
2 be made for each separate solar or wind energy system that
3 generates a credit. An election once made is irrevocable.

4 ~~[(i)]~~ (h) No taxpayer shall be allowed a credit under this
5 section for the portion of the renewable energy technology
6 system required by section 196-6.5 that is installed and first
7 placed in service on any newly constructed single-family
8 residential property authorized by a building permit issued on
9 or after January 1, 2010.

10 (i) The tax credit under this section shall be construed
11 in accordance with federal regulations and judicial
12 interpretations of similar provisions in sections 25D, 45, and
13 48 of the Internal Revenue Code.

14 (j) A planned community association, condominium
15 association of owners, or cooperative housing corporation may
16 claim the tax credit under this section in its own name for
17 systems or facilities placed in service and located on common
18 areas.

19 (k) No credit under this section shall be allowed to any
20 federal, state, or local government or any political
21 subdivision, agency, or instrumentality thereof.



1 (1) No credit under this section shall be authorized for
2 taxable years ending after December 31, 2036.

3 [~~(j)~~] (m) To the extent feasible, using existing resources
4 to assist the energy-efficiency policy review and evaluation,
5 the department shall assist with data collection on the
6 following for each taxable year:

7 (1) The number of [~~renewable energy technology~~] solar or
8 wind energy systems that have qualified for a tax
9 credit during the calendar year by:

10 (A) Technology type; and

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

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

14 (A) Technology type; and

15 (B) Taxpayer type.

16 [~~(k) This section shall apply to eligible renewable energy~~
17 ~~technology systems that are installed and placed in service on~~
18 ~~or after July 1, 2009.] "~~

19 SECTION 3. If any provision of this Act, or the
20 application thereof to any person or circumstance, is held
21 invalid, the invalidity does not affect other provisions or



1 applications of the Act that can be given effect without the
2 invalid provision or application, and to this end the provisions
3 of this Act are severable.

4 SECTION 4. This Act does not affect rights and duties that
5 matured, penalties that were incurred, and proceedings that were
6 begun before its effective date.

7 SECTION 5. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 6. This Act shall take effect on July 1, 2018;
10 provided that section 2 shall apply to taxable years beginning
11 after December 31, 2018.

12



Report Title:

Renewable Energy; Solar and Wind Energy System; Tax Credit

Description:

Replaces the current renewable energy technology systems tax credit with tax credits for solar or wind energy system and energy storage system and is applicable to taxable years beginning after 12/31/2018. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

