
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS.

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

1 SECTION 1. In 1976, the legislature, recognizing the
2 critical importance of renewable energy to the State, enacted
3 Act 189, Session Laws of Hawaii 1976 (Act 189), which
4 established income tax credits to encourage investment in
5 renewable energy systems. Since the enactment of Act 189, state
6 law has been amended to authorize varying tax credit rates and
7 durations of tax credits, and to include emergent, viable
8 renewable energy technologies among technologies eligible for
9 tax credits. The legislature found in 2008 that fossil fuel
10 imports account for a greater impact upon Hawaii's economy than
11 at any prior time, despite Hawaii being blessed with the
12 greatest number of renewable energy resources in the nation.

13 The purpose of this Act is to encourage investment in the
14 deployment of seawater air conditioning as a renewable energy
15 technology by amending the renewable energy technologies income
16 tax credit.



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

"§235-12.5 Renewable energy technologies; income tax

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

(1) For each solar energy system: thirty-five per cent of the actual cost or the cap amount determined in subsection (b), whichever is less; ~~[or]~~

(2) For each wind-powered energy system: twenty per cent of the actual cost or the cap amount determined in subsection (b), whichever is less; or

(3) For each commercial seawater air conditioning system: the actual cost of connecting the commercial seawater air conditioning system to the seawater air



1 conditioning district cooling system or the cap amount
2 determined in subsection (b), whichever is less;

3 provided that multiple owners of a single system shall be
4 entitled to a single tax credit; and provided further that the
5 tax credit shall be apportioned between the owners in proportion
6 to their contribution to the cost of the system.

7 In the case of a partnership, S corporation, estate, or
8 trust, the tax credit allowable is for every eligible renewable
9 energy technology system that is installed and placed in service
10 in the State by the entity. The cost upon which the tax credit
11 is computed shall be determined at the entity level.
12 Distribution and share of credit shall be determined pursuant to
13 section 235-110.7(a).

14 (b) The amount of credit allowed for each eligible
15 renewable energy technology system shall not exceed the
16 applicable cap amount, which is determined as follows:

17 (1) If the primary purpose of the solar energy system is
18 to use energy from the sun to heat water for household
19 use, then the cap amounts shall be:

20 (A) \$2,250 per system for single-family residential
21 property;



1 (B) \$350 per unit per system for multi-family
2 residential property; and

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

4 (2) For all other solar energy systems, the cap amounts
5 shall be:

6 (A) \$5,000 per system for single-family residential
7 property; provided that if all or a portion of
8 the system is used to fulfill the substitute
9 renewable energy technology requirement pursuant
10 to section 196-6.5(a)(3), the credit shall be
11 reduced by thirty-five per cent of the actual
12 system cost or \$2,250, whichever is less;

13 (B) \$350 per unit per system for multi-family
14 residential property; and

15 (C) \$500,000 per system for commercial property;
16 [~~and~~]

17 (3) For all wind-powered energy systems, the cap amounts
18 shall be:

19 (A) \$1,500 per system for single-family residential
20 property; provided that if all or a portion of
21 the system is used to fulfill the substitute



1 renewable energy technology requirement pursuant
2 to section 196-6.5(a)(3), the credit shall be
3 reduced by twenty per cent of the actual system
4 cost or \$1,500, whichever is less;

5 (B) \$200 per unit per system for multi-family
6 residential property; and

7 (C) \$500,000 per system for commercial property[-];
8 and

9 (4) For each commercial seawater air conditioning system,
10 as provided in subsection (a)(3), the cap amount shall
11 be \$250,000 per multi-family residential or commercial
12 property; provided that the total amount of tax
13 credits allowed under subsection (a)(3) shall not
14 exceed \$5,000,000 for all taxpayers in any taxable
15 year.

16 (c) For the purposes of this section:

17 "Actual cost" means costs related to the renewable energy
18 technology systems under subsection (a), including accessories
19 and installation, but not including the cost of consumer
20 incentive premiums unrelated to the operation of the system or



1 offered with the sale of the system and costs for which another
2 credit is claimed under this chapter.

3 "Commercial seawater air conditioning system" means a
4 building air conditioning system for a commercial, office, or
5 residential building or collection of buildings connected to a
6 seawater air conditioning district cooling system.

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

10 "Renewable energy technology system" means a new system
11 that captures and converts a renewable source of energy, such as
12 solar ~~[øx]~~, wind energy, or cold deep seawater into:

- 13 (1) A usable source of thermal or mechanical energy;
14 (2) Electricity; or
15 (3) Fuel.

16 "Seawater air conditioning district cooling system" means
17 an identifiable facility, equipment, apparatus, or the like that
18 utilizes naturally occurring cold, deep seawater as its primary
19 source of cooling that centralizes chilled water production into
20 a single central chiller plant for distribution of the chilled
21 water to multiple commercial seawater air conditioning systems.



1 "Solar or wind energy system" means any identifiable
2 facility, equipment, apparatus, or the like that converts solar
3 or wind energy to useful thermal or electrical energy for
4 heating, cooling, or reducing the use of other types of energy
5 that are dependent upon fossil fuel for their generation.

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

10 (e) For commercial seawater air conditioning systems, the
11 Hawaii state energy office shall:

12 (1) Certify all systems for which a credit is claimed
13 under section (a)(3);

14 (2) Collect and maintain a record of all qualified
15 expenses for each taxpayer claiming a credit; and

16 (3) Certify to each taxpayer the amount of credit the
17 taxpayer may claim; provided that if, in any year, the
18 annual amount of certified credits reaches \$5,000,000
19 in the aggregate, the Hawaii state energy office shall
20 immediately discontinue certifying credits and notify
21 the department of taxation.



1 The chief energy officer may adopt rules under chapter 91 as
2 necessary to implement the certification requirements of this
3 subsection.

4 ~~[(+e)]~~ (f) The director of taxation shall prepare any forms
5 that may be necessary to claim a tax credit under this section,
6 including forms identifying the technology type of each tax
7 credit claimed under this section~~[, whether for solar or wind]~~.

8 The director may also require the taxpayer to furnish reasonable
9 information to ascertain the validity of the claim for credit
10 made under this section and may adopt rules necessary to
11 effectuate the purposes of this section pursuant to chapter 91.

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



1 with this subsection shall constitute a waiver of the right to
2 claim the credit.

3 ~~[(g)]~~ (h) For solar energy systems, 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; and provided further
10 that no refund on account of the tax credit allowed by this
11 section shall 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 system is installed and placed in
15 service. A separate election may be made for each separate
16 system that generates a credit. An election once made is
17 irrevocable.

18 ~~[(h)]~~ (i) Notwithstanding subsection ~~[(g)]~~, (h), for any
19 renewable energy technology system, an individual taxpayer may
20 elect to have any excess of the credit over payments due
21 refunded to the taxpayer, if:



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

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

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

10 A husband and wife who do not file a joint tax return shall
11 only be entitled to make this election to the extent that they
12 would have been entitled to make the election had they filed a
13 joint tax return.

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

20 ~~[(+)]~~ (j) No taxpayer shall be allowed a credit under this
21 section for the portion of the renewable energy technology



1 system required by section 196-6.5 that is installed and placed
2 in service on any newly constructed single-family residential
3 property authorized by a building permit issued on or after
4 January 1, 2010.

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

9 (1) The number of renewable energy technology systems that
10 have qualified for a tax credit during the calendar
11 year by:

12 (A) Technology type; and

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

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

16 (A) Technology type; and

17 (B) Taxpayer type.

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



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect on July 1, 2050, and
4 shall apply to taxable years beginning after December 31, 2020.



Report Title:

Renewable Energy Technologies Income Tax Credit; Seawater Air Conditioning

Description:

Amends the renewable energy technologies income tax credit to include commercial seawater air conditioning systems. Requires the Hawaii State Energy Office to certify tax credits involving commercial seawater air conditioning systems. Applies to taxable years beginning after 12/31/2020. Effective 7/1/2050. (SD2)

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