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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

3           1. By amending subsection (a) to read:

4           "(a) Each individual or corporate taxpayer that files an  
5 individual or corporate net income tax return for a taxable year  
6 may claim a tax credit under this section against the Hawaii  
7 state individual or corporate net income tax. The tax credit  
8 may be claimed for every eligible renewable energy technology  
9 system that is installed and placed in service in the State by a  
10 taxpayer during the taxable year. The tax credit may be claimed  
11 as follows:

12           (1) For each solar energy system: thirty-five per cent of  
13 the actual cost or the cap amount determined in  
14 subsection (b); provided that:

15           (A) For taxable years beginning after December 31,  
16 2019, and except as provided in subparagraphs (B)  
17 and (C), no tax credit may be claimed for a solar



1 energy system that is five megawatts in total  
2 output capacity or larger and requires a power  
3 purchase agreement approved by the public  
4 utilities commission;

5 (B) A solar energy system that is five megawatts in  
6 total output capacity or larger, installed and  
7 placed in service pursuant to a power purchase  
8 agreement approved or pending approval by a  
9 decision and order by the public utilities  
10 commission prior to December 31, 2019, shall  
11 continue to receive a tax credit equal to thirty-  
12 five per cent of the actual cost, or \$500,000 per  
13 solar energy system that has a total output  
14 capacity of at least one thousand kilowatts per  
15 system of direct current, whichever is less; and

16 (C) For each solar energy system integrated with a  
17 pumped hydroelectric energy storage system, the  
18 tax credit may be claimed for thirty-five per  
19 cent of the actual cost or the cap amount  
20 determined in subsection (b), whichever is less;  
21 provided that applicable project approval filings



1                   have been made to the public utilities commission  
2                   by December 31, 2021; [~~or~~]

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

6           (3) For each firm renewable energy system: \_\_\_\_\_ per cent  
7           of the actual cost or the cap amount of \$750,000,  
8           whichever is less; provided that the firm renewable  
9           energy system has a total output capacity of at least  
10           one thousand kilowatts per system of alternating  
11           current;

12 provided further that multiple owners of a single system shall  
13 be entitled to a single tax credit; and provided further that  
14 the tax credit shall be apportioned between the owners in  
15 proportion to their contribution to the cost of the system.

16           In the case of a partnership, S corporation, estate, or  
17 trust, the tax credit allowable is for every eligible renewable  
18 energy technology system that is installed and placed in service  
19 in the State by the entity. The cost upon which the tax credit  
20 is computed shall be determined at the entity level.



1 Distribution and share of credit shall be determined pursuant to  
2 administrative rule."

3 2. By amending subsection (c) to read:

4 "(c) For the purposes of this section:

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

11 "Firm renewable energy system" means a renewable energy  
12 technology system that is:

13 (1) Typically available on the demand of the energy  
14 system's operator, at its contracted capacity, subject  
15 only to routine maintenance and emergency repairs; and

16 (2) Shown by the taxpayer to have actual associated  
17 lifecycle carbon emissions less than fifty grams of  
18 carbon dioxide equivalent per kilowatt hour, using  
19 methodology approved or adopted by the National  
20 Renewable Energy Laboratory.



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

4 "Renewable energy technology system" means a new system  
5 that captures and converts a renewable source of energy, such as  
6 solar or wind energy, into:

- 7 (1) A usable source of thermal or mechanical energy;
- 8 (2) Electricity; or
- 9 (3) Fuel.

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

15 3. By amending subsections (g) through (i) to read:

16 "(g) For solar energy systems, including firm renewable  
17 energy systems, a taxpayer may elect to reduce the eligible  
18 credit amount by thirty per cent and if this reduced amount  
19 exceeds the amount of income tax payment due from the taxpayer,  
20 the excess of the credit amount over payments due shall be  
21 refunded to the taxpayer; provided that tax credit amounts



1 properly claimed by a taxpayer who has no income tax liability  
2 shall be paid to the taxpayer; [and] provided further that no  
3 refund on account of the tax credit allowed by this section  
4 shall be made for amounts less than \$1.

5 The election required by this subsection shall be made in a  
6 manner prescribed by the director on the taxpayer's return for  
7 the taxable year in which the system is installed and placed in  
8 service. A separate election may be made for each separate  
9 system that generates a credit. An election once made is  
10 irrevocable.

11 (h) Notwithstanding subsection (g), for any renewable  
12 energy technology system~~[7]~~ or firm renewable energy system, an  
13 individual taxpayer may elect to have any excess of the credit  
14 over payments due refunded to the taxpayer, if:

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

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

20 provided that tax credits properly claimed by a taxpayer who has  
21 no income tax liability shall be paid to the taxpayer; and



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

3 A husband and wife who do not file a joint tax return shall  
4 only be entitled to make this election to the extent that they  
5 would have been entitled to make the election had they filed a  
6 joint tax return.

7 The election required by this subsection shall be made in a  
8 manner prescribed by the director on the taxpayer's return for  
9 the taxable year in which the system is installed and placed in  
10 service. A separate election may be made for each separate  
11 system that generates a credit. An election once made is  
12 irrevocable.

13 (i) No other tax credit may be claimed under this chapter  
14 for the costs incurred in producing the renewable energy  
15 technology systems that are used to properly claim a tax credit  
16 under this section for the taxable year. No taxpayer shall be  
17 allowed a credit under this section for the portion of the  
18 renewable energy technology system required by section 196-6.5  
19 that is installed and placed in service on any newly constructed  
20 single-family residential property authorized by a building  
21 permit issued on or after January 1, 2010."



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

3           SECTION 3. This Act, upon its approval, shall apply to  
4 taxable years beginning after December 31, 2022.



**Report Title:**

Renewable Energy Technologies; Income Tax Credit; Firm Renewable Energy Systems

**Description:**

Expands the renewable energy technologies income tax credit to include firm renewable energy systems. Caps the total amount of tax credits for each firm renewable energy system at \$750,000. (SD1)

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