
A BILL FOR AN ACT

RELATING TO RENEWABLE FUEL.

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

1 SECTION 1. The legislature finds that section 269-92(a),
2 Hawaii Revised Statutes, requires each utility company that
3 sells electricity for consumption in the State to establish a
4 renewable portfolio standard of forty per cent of its net
5 electricity generation by December 31, 2030, seventy per cent of
6 its net electricity generation by December 31, 2040, and one
7 hundred per cent of its net electricity generation by
8 December 31, 2045.

9 The legislature further finds that for electric utility
10 companies to meet the required renewable portfolio standards, a
11 significant component of each electric utility company's
12 renewable portfolio standard must include sufficient locally
13 sourced, firm renewable energy sources to offset the
14 intermittent nature of wind and solar-powered renewable energy.

15 The legislature further finds that, to ensure sustainable
16 inventories of locally sourced, firm renewable energy for
17 electric utility companies' renewable portfolio standards, long-



1 term planning that includes incentives are essential for
2 investment and development of locally sourced, firm renewable
3 energy production.

4 Accordingly, the purpose of this Act is to update the
5 renewable fuels production tax credit to incentivize locally
6 produced renewable fuel sold in the State.

7 SECTION 2. Section 235-110.32, Hawaii Revised Statutes, is
8 amended as follows:

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

10 "(a) Each year during the credit period, there shall be
11 allowed to each taxpayer subject to the taxes imposed by this
12 chapter a renewable fuels production tax credit that shall be
13 applied to the taxpayer's net income tax liability, if any,
14 imposed by this chapter for the taxable year in which the credit
15 is properly claimed.

16 For each taxpayer producing renewable fuels, the annual
17 dollar amount of the renewable fuels production tax credit
18 during the [~~ten-year~~] ____ credit period shall [~~be~~] include an
19 amount equal to [~~20~~] ____ cents per seventy-six thousand British
20 thermal units of renewable fuels using the lower heating value
21 produced and sold for distribution in the State; provided that



1 the taxpayer's production of renewable fuels is not less than
2 two billion five hundred million British thermal units of
3 renewable fuels per calendar year; provided further that the
4 amount of the tax credit claimed under this section by a
5 taxpayer shall not exceed [~~\$3,500,000~~] _____ per cent of the
6 total amount of tax credits allowed under this section per
7 taxable year; provided further that there shall be an additional
8 credit value of \$1 per gallon for renewable fuels produced from
9 renewable feedstock locally grown or recycled in the State;
10 provided further that there shall be an additional credit of \$1
11 per gallon for the production of sustainable aviation fuel;
12 provided further that the tax credit shall only be claimed for
13 fuels with lifecycle emissions below that of fossil fuels. No
14 other tax credit may be claimed under this chapter for the costs
15 incurred to produce the renewable fuels that are used to
16 properly claim a tax credit under this section for the taxable
17 year.

18 Each taxpayer, together with all of its related entities as
19 determined under section 267(b) of the Internal Revenue Code and
20 all business entities under common control, as determined under
21 sections 414(b), 414(c), and 1563(a) of the Internal Revenue



1 Code, shall not be eligible for more than a single [~~ten-year~~]
2 credit period[~~-~~]; provided that any taxpayer who previously
3 claimed credits under this chapter shall be reset for taxable
4 years beginning after December 31, 2023."

5 2. By amending subsection (d) to read:

6 "(d) Within [~~thirty~~] sixty calendar days after the due
7 date of the statement required under subsection (c), the Hawaii
8 state energy office shall:

9 (1) Acknowledge, in writing, receipt of the statement;

10 (2) Issue a certificate to the taxpayer reporting the
11 amount of renewable fuels produced and sold, the
12 amount of credit that the taxpayer is entitled to
13 claim for the previous calendar year, and the
14 cumulative amount of the tax credit during the credit
15 period; and

16 (3) Provide the taxpayer with a determination of whether
17 the lifecycle greenhouse gas emissions for each type
18 of qualified fuel produced is at least twenty-five per
19 cent lower than that of fossil fuels."

20 3. By amending subsection (f) to read:



1 "(f) The total amount of tax credits allowed under this
2 section shall not exceed [~~\$20,000,000~~] _____ for all
3 eligible taxpayers in any calendar year. In the event that the
4 credit claims under this section exceed
5 [~~\$20,000,000~~] _____ for all eligible taxpayers in any given
6 calendar year, the [~~\$20,000,000~~] _____ shall be [~~divided~~
7 ~~between all~~] allocated to each eligible taxpayers for that year
8 in proportion to the total amount of renewable fuels produced by
9 all eligible taxpayers. Upon reaching
10 [~~\$20,000,000~~] _____ in the aggregate, the Hawaii state
11 energy office shall immediately discontinue issuing certificates
12 and notify the department of taxation. In no instance shall the
13 total dollar amount of certificates issued exceed
14 [~~\$20,000,000~~] _____ per calendar year."

15 4. By amending subsection (o) to read:

16 "(o) As used in this section:

17 "Credit period" means a maximum period of
18 [~~ten~~] _____ consecutive years, beginning from the first taxable
19 year in which a taxpayer begins renewable fuels production at a
20 level of at least two billion five-hundred million British
21 thermal units of renewable fuels per calendar year.



1 "Lifecycle greenhouse gas emissions" means the aggregate
2 attributional core lifecycle greenhouse gas emissions values
3 utilizing the most recent version of Argonne National
4 Laboratory's Greenhouse gasses, Regulated Emissions, and Energy
5 use in Technologies (GREET) Model, inclusive of agricultural
6 practices and carbon capture sequestration.

7 "Locally grown" means renewable feedstock that is grown,
8 produced, generated, or collected in the State.

9 "Net income tax liability" means income tax liability
10 reduced by all other credits allowed under this chapter.

11 "Renewable feedstocks" means:

- 12 (1) Biomass crops and other renewable organic material,
13 including but not limited to logs, wood chips, wood
14 pellets, and wood bark;
- 15 (2) Agricultural residue;
- 16 (3) Oil crops, including but not limited to algae, canola,
17 jatropha, palm, soybean, and sunflower;
- 18 (4) Sugar and starch crops, including but not limited to
19 sugar cane and cassava;
- 20 (5) Other agricultural crops;
- 21 (6) Grease and waste cooking oil;



- 1 (7) Food wastes;
- 2 (8) Municipal solid wastes and industrial wastes;
- 3 (9) Water, including wastewater; and
- 4 (10) Animal residues and wastes,
- 5 that can be used to generate energy.

6 "Renewable fuels" means fuels produced from renewable
7 feedstocks; provided that the fuel:

- 8 (1) Is sold as a fuel in the State; and
- 9 (2) Meets the relevant ASTM International specifications
10 or other industry specifications for the particular
11 fuel, including but not limited to:
 - 12 (A) Methanol, ethanol, or other alcohols;
 - 13 (B) Hydrogen;
 - 14 (C) Biodiesel or renewable diesel;
 - 15 (D) Biogas;
 - 16 (E) Other biofuels;
 - 17 (F) Renewable jet fuel or renewable gasoline; or
 - 18 (G) Logs, wood chips, wood pellets, or wood bark.

19 "Sustainable aviation fuel" means an alternative fuel, as
20 defined in section 243-1, that is used in aviation."



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, 3000, and
4 shall apply to taxable years beginning after December 31, 2023.



Report Title:

Renewable Fuels Production Tax Credit; Locally Sourced Renewable Feedstock; Credit Period; Total Credits

Description:

Updates the Renewable Fuels Production Tax Credit to incentivize local production of renewable fuel sold in the State. Extends the credit period. Amends the total amount of tax credits allowed in any calendar year. Resets credits claimed for taxable years beginning after 12/31/2023. Effective 7/1/3000.
(HD2)

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