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## A BILL FOR AN ACT

RELATING TO WATER HEATING SYSTEMS.

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

1 SECTION 1. The legislature finds that Hawaii has long been  
2 a national leader in solar water heating adoption and clean  
3 energy policy. Since the enactment of the State's solar water  
4 heating requirements and incentives, electric heat pump water  
5 heater technology has advanced significantly. Simultaneously,  
6 the cost of this technology has dropped significantly, allowing  
7 substantial reductions in utility bills, energy use, and  
8 greenhouse gas emissions while supporting grid reliability and  
9 renewable energy integration. The legislature further finds  
10 that past implementation of the solar water heating requirement  
11 and variance processes resulted in widespread approval of fossil  
12 fuel-based water heating systems, including gas-fired demand  
13 water heaters, despite Hawaii having no indigenous or reliable  
14 in-state supply of natural gas or propane. This furthers the  
15 State's dependence on imported fossil fuels and undermines clean  
16 energy goals.



1       The legislature additionally finds that high-efficiency  
2       electric heat pump water heaters provide a clean energy  
3       alternative that avoids continued reliance on fossil fuel  
4       combustion for water heating and aligns with statutory  
5       commitments to decarbonization, energy security, and reduced  
6       household energy costs. Unlike rooftop solar water heating  
7       systems, high-efficiency electric heat pump water heaters can be  
8       utilized in a broader range of housing types, including rental  
9       units, townhomes, and multifamily dwellings, thereby expanding  
10      access to clean energy technologies and energy cost savings for  
11      residents who may otherwise be unable to benefit from rooftop-  
12      based systems.

13       The legislature also finds that federal incentives  
14      previously supported the adoption of high-efficiency electric  
15      heat pump water heaters, including a rebate of up to \$2,000  
16      authorized under the Inflation Reduction Act, which expired on  
17      December 31, 2025, resulting in the loss of a significant  
18      financial incentive for Hawaii households.

19       The legislature further finds that modern high-efficiency  
20      electric heat pump water heaters can provide energy savings  
21      comparable to those of solar water heating systems, while



1 expanding access to clean water heating options for households  
2 and housing where new solar water heating systems are  
3 impractical or impossible.

4 Accordingly, the purpose of this Act is to:

5 (1) Authorize building permit variances for certain high-

6 efficiency electric water heating systems utilizing  
7 heat pump technology, rather than solar water heater  
8 systems; and

9 (2) Expand the renewable energy technologies income tax  
10 credit to include high-efficiency electric water  
11 heating systems.

12 SECTION 2. Section 196-6.5, Hawaii Revised Statutes, is  
13 amended by amending subsection (a) to read as follows:

14 "(a) On or after January 1, 2010, no building permit shall  
15 be issued for a new single-family dwelling that does not include  
16 a solar water heater system that meets the standards established  
17 pursuant to section 269-44, unless the chief energy officer of  
18 the Hawaii state energy office approves a variance. A variance  
19 application shall only be accepted if submitted by an architect  
20 or mechanical engineer licensed under chapter 464, who attests  
21 that:



- (1) Installation is impracticable due to poor solar resource;
- (2) Installation is cost-prohibitive based upon a life cycle cost-benefit analysis that incorporates the average residential utility bill and the cost of the new solar water heater system with a life cycle that does not exceed fifteen years;
- (3) A renewable energy technology system, as defined in section 235-12.5, is substituted for use as the primary energy source for heating water; or
- (4) ~~A demand water heater device approved by Underwriters Laboratories, Inc., is installed; provided that at least one other gas appliance is installed in the dwelling. For the purposes of this paragraph, "demand water heater" means a gas tankless instantaneous water heater that provides hot water only as it is needed.]~~
- (4) A high-efficiency electric water heating system utilizing heat pump technology, as defined in section 235-12.5, when installed in conjunction with a photovoltaic system, is substituted as the primary energy source for heating water."



1 SECTION 3. Section 235-12.5, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By amending subsections (a) to (c) 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  
18 energy system that is five megawatts in total  
19 output capacity or larger and requires a power  
20 purchase agreement approved by the public  
21 utilities commission;



1 (B) A solar energy system that is five megawatts in  
2 total output capacity or larger, installed and  
3 placed in service pursuant to a power purchase  
4 agreement approved or pending approval by a  
5 decision and order by the public utilities  
6 commission prior to December 31, 2019, shall  
7 continue to receive a tax credit equal to thirty-  
8 five per cent of the actual cost, or \$500,000 per  
9 solar energy system that has a total output  
10 capacity of at least one thousand kilowatts per  
11 system of direct current, whichever is less; and  
12 (C) For each solar energy system integrated with a  
13 pumped hydroelectric energy storage system, the  
14 tax credit may be claimed for thirty-five per  
15 cent of the actual cost or the cap amount  
16 determined in subsection (b), whichever is less;  
17 provided that applicable project approval filings  
18 have been made to the public utilities commission  
19 by December 31, 2021; [or]



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

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

20 Distribution and share of credit shall be determined pursuant to  
21 administrative rule.



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

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

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

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

14 (A) \$5,000 per system for single-family residential  
15 property; provided that if all or a portion of  
16 the system is used to fulfill the substitute  
17 renewable energy technology requirement pursuant  
18 to section 196-6.5(a)(3), the credit shall be  
19 reduced by thirty-five per cent of the actual  
20 system cost or \$2,250, whichever is less.



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

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

For all wind-powered energy systems, the cap amounts shall be:

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

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

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

For all high-efficiency electric water heating systems utilizing heat pump technology installed concurrently with, or in a dwelling already served by, a



1                   photovoltaic system of one kilowatt or greater size,

2                   the cap amounts shall be:

3                   (A)    \$                   per system for single-family  
4                   residential property; provided that if all or a  
5                   portion of the system is used to fulfill the  
6                   substitute renewable energy technology  
7                   requirement pursuant to section 196-6.5(a) (4),  
8                   the credit shall be reduced by           per cent of  
9                   the actual system cost or \$           , whichever  
10                   is less; and

11                   (B)    \$                   per unit per system for multi-family  
12                   residential property.

13                   (c)    For the purposes of this section:

14                   "Actual cost" means costs related to the renewable energy  
15                   technology systems under subsection (a), including accessories  
16                   and installation, but not including the cost of consumer  
17                   incentive premiums unrelated to the operation of the system or  
18                   offered with the sale of the system and costs for which another  
19                   credit is claimed under this chapter.



1        "High-efficiency electric water heating system utilizing  
2        heat pump technology" means an electric water heating system  
3        that:

4        (1)    Uses vapor-compression heat pump technology as the  
5        primary means of heating water;  
6        (2)    Meets or exceeds minimum efficiency standards,  
7        including uniform energy factor requirements, as  
8        established or recognized by the department of  
9        taxation in consultation with the Hawaii state energy  
10      office;  
11      (3)    Is ENERGY STAR certified or certified by a successor  
12      recognized by the department of taxation;  
13      (4)    Is installed in a residential dwelling located in the  
14      State; and  
15      (5)    Is installed by a contractor licensed pursuant to  
16      chapter 444.

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



1       "Renewable energy technology system" means a new system  
2       that captures and converts a renewable source of energy, such as  
3       solar or wind energy, into:

4           (1) A usable source of thermal or mechanical energy;  
5           (2) Electricity; or  
6           (3) Fuel.

7       "Renewable energy technology system" includes high-efficiency  
8       electric water heating systems utilizing heat pump technology.

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

14      2. By amending subsection (e) to read:

15      "(e) The director of taxation shall prepare any forms that  
16      may be necessary to claim a tax credit under this section,  
17      including forms identifying the technology type of each tax  
18      credit claimed under this section, whether for solar [or],  
19      wind[or], or high-efficiency electric water heating systems  
20      utilizing heat pump technology. The director may also require  
21      the taxpayer to furnish reasonable information to ascertain the



1 validity of the claim for credit made under this section and may  
2 adopt rules necessary to effectuate the purposes of this section  
3 pursuant to chapter 91."

4 SECTION 4. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 5. This Act shall take effect upon its approval.

7

INTRODUCED BY:

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JAN 28 2026



# H.B. NO. 2608

**Report Title:**

High-efficiency Electric Water Heating Systems; Building Permit Variances; Renewable Energy Technologies Income Tax Credit

**Description:**

Authorizes building permit variances for certain high-efficiency electric water heating systems utilizing heat pump technology, rather than solar water heater systems. Expands the renewable energy technologies income tax credit to include high-efficiency electric water heating systems.

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