

JAN 21 2026

A BILL FOR AN ACT

RELATING TO INCOME TAX.

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

1 SECTION 1. The legislature finds that the State is ground
2 zero for the climate crisis. In 2021, Hawaii became the first
3 state in the nation to officially declare a climate emergency by
4 adopting S.C.R. No. 44, S.D. 1, H.D. 1 (2021), which called for
5 an immediate just transition and emergency mobilization effort
6 to restore a safe climate. Through the adoption of this
7 concurrent resolution, statewide commitments were made to
8 provide financial and regulatory assistance to transform and
9 decarbonize the economy, including investing in clean energy and
10 other beneficial projects and infrastructure, such as zero
11 emissions energy installations.

12 The legislature further finds that distributed solar
13 energy, which refers to solar energy generated at or near the
14 point of electricity consumption and interconnected to the
15 distribution system, is the State's largest source of clean,
16 renewable energy. Distributed solar energy systems reduce the
17 amount of land needed for energy facilities, reduce the need for



1 new transmission lines, and can provide local power during
2 grid-wide disturbances. The legislature recognizes that
3 maximizing the use of distributed solar energy, such as through
4 rooftop solar and solar carports and canopies, will be critical
5 to meeting the State's clean energy needs and can reduce
6 competition for land use across the State.

7 The legislature notes that on January 27, 2025, the
8 Governor signed Executive Order No. 25-01 to promote and
9 expedite the development of renewable energy in the State,
10 urging the public utilities commission to maximize the use of
11 distributed clean, renewable energy resources across the state
12 to improve resilience and energy security. The executive order
13 explicitly urged the commission to focus on maximizing
14 distributed energy resources in public safety power shutoff
15 areas, on rooftops, and as canopies over parking lots and shared
16 spaces on land-constrained Oahu.

17 The legislature finds that solar canopies, including solar
18 carports, are a smart way to utilize existing underutilized
19 built spaces such as parking lots at malls, offices, and
20 businesses, turning them into dual-purpose areas for parking and
21 power generation. The legislature notes that parking lots are



1 ideal locations for solar installations because the lots already
2 occupy enormous surface areas in urban and suburban
3 environments, receive direct sunlight, and are structurally
4 simple to build over. While generating clean energy and helping
5 reduce electric bills for businesses, solar canopies also
6 provide benefits such as shade for vehicles, reduction in urban
7 heat island effects, and additional charging locations for
8 electric vehicles.

9 The legislature also finds that changes to federal solar
10 tax credits pursuant to Public Law 119-21 (139 stat. 72),
11 commonly known as the One Big Beautiful Bill Act significantly
12 reduce currently available federal tax incentives, which will
13 dramatically increase the cost of solar energy systems,
14 including solar canopies. The legislature further finds that it
15 is in the interest of the State to encourage and enable the
16 development of renewable energy generation, including the
17 construction of solar canopies on commercial parking lots, which
18 allow land to be used for renewable energy generation without
19 interfering with existing uses. Furthermore, promoting the use
20 of solar canopies could significantly contribute towards
21 reducing greenhouse gas emissions from the electricity sector



1 and satisfying the State's need for increased solar energy
2 generation capacity. The legislature additionally recognizes
3 that as existing federal tax credits are phased out, providing
4 additional state tax incentives for solar canopy installations
5 will help to fill the gap and make it more feasible for local
6 businesses to invest in solar canopies by reducing the initial
7 financial burden and improving the return on investment.

8 Accordingly, the purpose of this Act is to establish a
9 solar canopy installation tax credit to incentivize the
10 installation of solar canopies on commercial parking lots,
11 thereby boosting the local generation of renewable energy.

12 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:

15 "§235- Solar canopy installation tax credit. (a) There
16 shall be allowed to each taxpayer subject to the tax imposed
17 under this chapter, a solar canopy installation tax credit that
18 shall be applied against the taxpayer's net income tax
19 liability, if any, imposed by this chapter for the taxable year
20 in which the credit is properly claimed.



1 (b) The solar canopy installation tax credit shall be
2 equal to thirty per cent of the qualified expenses of the
3 taxpayer in the taxable year, up to a maximum of \$500,000 per
4 taxpayer.

5 (c) In the case of a partnership, S corporation, estate,
6 trust, or other pass-through entity, the tax credit allowable is
7 for the qualified costs incurred by the entity for the taxable
8 year. The qualified expenses upon which the tax credit is
9 computed shall be determined at the entity level. Distribution
10 and share of the credit shall be determined by rule.

11 (d) The director of taxation:

12 (1) Shall prepare any forms that may be necessary to claim
13 a tax credit under this section;
14 (2) May require the taxpayer to furnish reasonable
15 information to ascertain the validity of the claim for
16 the tax credit made under this section; and
17 (3) Shall adopt rules under chapter 91 necessary to
18 effectuate the purposes of this section.

19 (e) If the tax credit under this section exceeds the
20 taxpayer's net income tax liability for the taxable year, the
21 excess of the credit over liability may be used as a credit



1 against the taxpayer's income tax liability in subsequent years
2 until exhausted.

3 (f) All claims for a tax credit under this section,
4 including any amended claims, shall be filed on or before the
5 end of the twelfth month following the close of the taxable year
6 for which the credit may be claimed. Failure to comply with the
7 foregoing provision shall constitute a waiver of the right to
8 claim the credit.

9 (g) For the purposes of this section:
10 "Solar canopy" means an outdoor shade-providing structure
11 that:

12 (1) Is composed of components that primarily serve a
13 function related to solar energy generation;
14 (2) Hosts photovoltaic panels located above a parking or
15 driving area, pedestrian walkway, courtyard, or other
16 utilized surface; and
17 (3) Is installed in a manner that maintains the
18 functionality of the area beneath the structure.

19 "Solar canopy" includes a functional carport designed with
20 mounted photovoltaic panels for solar energy generation. "Solar
21 canopy" does not include a structure composed of traditional



1 structural components that serves only a general roofing or
2 structural purpose, even if solar photovoltaic panels are
3 mounted atop the components.

4 "Qualified expenses" means costs that are directly incurred
5 by the taxpayer to purchase and install a solar canopy placed in
6 service in the State."

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act, upon its approval, shall apply to
9 taxable years beginning after December 31, 2026.

10

INTRODUCED BY: Mike Gabbard



S.B. NO. 2326

Report Title:

DOTAX; Income Tax; Solar Canopy Installation Tax Credit; Renewable Energy Generation; Rules

Description:

Establishes a Solar Canopy Installation Tax Credit that applies to taxable years beginning after 12/31/2026. Requires the Director of Taxation to take certain actions to implement the tax credit.

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