

JAN 21 2026

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# A BILL FOR AN ACT

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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.

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INTRODUCED BY: Mike Hubbard



# 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.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

