

JAN 23 2026

A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 Part I

2 SECTION 1. The legislature finds that Hawaii has the
3 nation's highest residential electricity cost per kilowatt hour
4 at more than triple the average United State's price. However,
5 the State also has one of the highest rates of rooftop solar
6 adoption in the nation.

7 The legislature further finds that the federal residential
8 clean energy credit for rooftop solar ends December 31, 2025,
9 nine years ahead of schedule, which will increase out-of-pocket
10 costs for residential rooftop solar installations. Small-scale,
11 consumer-sited rooftop solar provided approximately fifteen per
12 cent of total electricity generation in the State in 2024 and
13 the residential solar industry supports more than two thousand
14 five hundred jobs. Continued incentives for rooftop solar are
15 necessary to ensure the State can reach its renewable energy
16 mandates and continue support for the State's solar job market.



1 The legislature further finds that the elimination of the
2 federal residential clean energy credit for rooftop solar
3 effective January 1, 2026, constitutes an emergency threatening
4 Hawaii's clean energy transition, solar industry viability, and
5 energy affordability for residents, requiring immediate
6 implementation of this Act.

7 The legislature further finds that over ninety per cent of
8 the State's total energy consumption is from petroleum, the
9 highest in the nation. Additionally, all of the petroleum used
10 in the State is imported. The substantial revenues raised each
11 year from the environmental response, energy, and food security
12 tax on imported petroleum, also known as the barrel tax, can be
13 directed toward growing the State's residential rooftop solar
14 adoption as a way to reduce reliance on imported fossil fuels.
15 Growing rooftop solar installation and investment will also
16 provide continued economic and employment opportunities for
17 local residents.

18 The legislature further finds that direct rebates for
19 rooftop solar installation may offer more accessible energy cost
20 relief for low- and moderate-income families, who typically
21 spend the highest proportion of their income on energy costs.



1 Accordingly, the purpose of this Act is to:

2 (1) Increase the rooftop solar tax credit to forty five
3 per cent for tax years beginning after December 31,
4 2025 through December 31, 2030;

5 (2) Establish a direct solar rebate program for low- and
6 moderate-income households;

7 (3) Streamline rooftop solar county permitting; and

8 (4) Provide resources to the Hawaii state energy office
9 workforce development program to connect job seekers
10 with rooftop solar jobs.

11 Part II

12 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is
13 amended by amending subsections (a) and (b) to read as follows:

14 "(a) Each individual or corporate taxpayer that files an
15 individual or corporate net income tax return for a taxable year
16 may claim a tax credit under this section against the Hawaii
17 state individual or corporate net income tax. The tax credit
18 may be claimed for every eligible renewable energy technology
19 system that is installed and placed in service in the State by a
20 taxpayer during the taxable year. The tax credit may be claimed
21 as follows:



- 1 (1) ~~[For]~~ Regardless of when the taxpayer files a tax
2 return, for each solar energy system[+] installed on
3 or before December 31, 2025: thirty-five per cent of
4 the actual cost or the cap amount determined in
5 subsection (b); and for each solar energy system
6 purchased or installed on or after January 1, 2026:
7 forty-five per cent of the actual cost or the cap
8 amount determined in subsection (b), provided that:
9 (A) For taxable years beginning after December 31,
10 2019, and except as provided in subparagraphs (B)
11 and (C), no tax credit may be claimed for a solar
12 energy system that is five megawatts in total
13 output capacity or larger and requires a power
14 purchase agreement approved by the public
15 utilities commission;
16 (B) A solar energy system that is five megawatts in
17 total output capacity or larger, installed and
18 placed in service pursuant to a power purchase
19 agreement approved or pending approval by a
20 decision and order by the public utilities
21 commission prior to December 31, 2019, shall



1 continue to receive a tax credit equal to
2 thirty-five per cent of the actual cost, or
3 \$500,000 per solar energy system that has a total
4 output capacity of at least one thousand
5 kilowatts per system of direct current, whichever
6 is less; and

7 (C) For each solar energy system integrated with a
8 pumped hydroelectric energy storage system, the
9 tax credit may be claimed for thirty-five per
10 cent of the actual cost or the cap amount
11 determined in subsection (b), whichever is less;
12 provided that applicable project approval filings
13 have been made to the public utilities commission
14 by December 31, 2021; or

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

18 provided further that multiple owners of a single system shall
19 be entitled to a single tax credit; and provided further that
20 the tax credit shall be apportioned between the owners in
21 proportion to their contribution to the cost of the system.



1 In the case of a partnership, S corporation, estate, or
2 trust, the tax credit allowable is for every eligible renewable
3 energy technology system that is installed and placed in service
4 in the State by the entity. The cost upon which the tax credit
5 is computed shall be determined at the entity level.
6 Distribution and share of credit shall be determined pursuant to
7 administrative rule.

8 (b) The amount of credit allowed for each eligible
9 renewable energy technology system shall not exceed the
10 applicable cap amount, which is determined as follows:

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

14 (A) \$2,250 per system for single-family residential
15 property;

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

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

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



1 (A) [~~\$5,000~~] \$7,500 per system for single-family
2 residential property; provided that if all or a
3 portion of the system is used to fulfill the
4 substitute renewable energy technology
5 requirement pursuant to section 196-6.5(a)(3),
6 the credit shall be reduced by thirty-five per
7 cent of the actual system cost or \$2,250,
8 whichever is less;

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

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

12 (3) For all wind-powered energy systems, the cap amounts
13 shall be:

14 (A) \$1,500 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 twenty per cent of the actual system
20 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."

Part III

SECTION 3. Chapter 196, Hawaii Revised Statutes, is
amended by adding a new section to be appropriately designated
and to read as follows:

"§196- Direct solar rebate program. (a) The Hawaii
state energy office shall establish the direct solar rebate
program to provide financial assistance and improve access to
residential rooftop solar systems for low- and moderate-income
households.

(b) Households with annual incomes at or below one hundred
forty per cent of the area median income shall be eligible for a
rebate under the program for installation of a residential
rooftop solar system as follows:

(1) A household with an annual income at or below eighty
per cent of the area median income shall receive a
rebate of \$5,000 per system; and

(2) A household with an annual income between eighty-one
per cent and one hundred forty per cent of the area



median income shall receive a rebate of \$3,000 per system.

(c) Households that install battery energy storage systems in combination with residential rooftop solar systems under this program shall receive an additional rebate of:

(1) \$2,000 for systems with at least ten kilowatt-hours of storage capacity; or

(2) \$3,500 for systems with at least twenty kilowatt-hours of storage capacity.

(d) Battery energy storage system rebates described in subsection (c) may be combined with rebates described in subsection (b) but shall not exceed a total combined rebate of \$8,000.

(e) Rebates described in subsection (b) may be combined with tax credits described in section 235-12.5 and any other available incentives.

(f) Landlords or other housing providers may be eligible for a rebate under the program; provided that:

(1) Each tenant household, at the time of application, meets the area median income limits described in subsection (b); and



1 (2) Energy cost savings are passed through to tenants
2 either through direct energy bill credits or an annual
3 reduction in rent equal to the amount of the rebate
4 divided by the number of tenant households.

5 (g) In furtherance of the program, the Hawaii state energy
6 office shall:

7 (1) Establish a streamlined application process to provide
8 approval or denial decisions within thirty days of
9 receiving a complete application;

10 (2) Provide rebates as direct payments to applicants
11 within sixty days of installation and inspection;

12 (3) Coordinate with and provide information on approved
13 licensed contractors to approved applicants to ensure
14 quality installation;

15 (4) Prioritize applications from households with a high
16 energy cost burden;

17 (5) Provide multilingual information and assistance to
18 applicants;

19 (6) Accept applications from homeowners and renters;
20 provided that renters shall provide evidence of
21 landlord agreement;



- 1 (7) Establish partnerships with community-based
2 organizations, particularly those serving Native
3 Hawaiian, Pacific Islander, and low-income
4 communities, to conduct outreach and provide
5 application assistance;
- 6 (8) Create an online portal showing:
7 (A) Current program funding availability;
8 (B) Estimated wait times for applications;
9 (C) List of approved solar contractors with customer
10 ratings; and
11 (D) Typical system costs and energy savings by island
12 and household size;
- 13 (9) Reserve at least thirty per cent of annual program
14 funds for households at or below eighty per cent of
15 area median income; and
- 16 (10) Implement a waitlist system if applications exceed
17 funding, with priority given to:
18 (A) Households with the highest energy cost burden;
19 (B) Hawaiian home lands residents;
20 (C) Environmental justice communities; and
21 (D) Households in areas with frequent power outages.



1 (h) The Hawaii state energy office shall provide an annual
2 report on the program to the legislature no later than twenty
3 days prior to the convening of each regular session, which shall
4 include the following information:

5 (1) Number and demographic data of households served;

6 (2) Total solar capacity installed under the program;

7 (3) Estimated energy cost savings for approved households;

8 (4) Job creation impacts;

9 (5) Progress toward renewable energy goals; and

10 (6) Program improvement recommendations."

11 SECTION 4. Section 46-19.4, Hawaii Revised Statutes, is
12 amended to read as follows:

13 **"[~~f~~]\$46-19.4 Priority permitting process for renewable**
14 **energy projects[~~-~~]; electronic application on system;**

15 **residential solar.** (a) All agencies shall provide priority
16 handling and processing for all county permits required for
17 renewable energy projects.

18 (b) All agencies shall establish an electronic application
19 system for all county permits required for residential solar
20 installations. Access to the system shall be available to
21 applicants twenty-four hours per day, seven days per week.



1 (c) All agencies shall approve or deny all county permits
2 required for residential solar installations within ten business
3 days of receiving a complete application; provided that failure
4 to approve or deny a permit within ten business shall result in
5 automatic approval of the permit; provided further that the
6 permit applications shall meet all statutory safety and building
7 code requirements.

8 (d) All agencies shall develop a standard permit
9 application checklist for residential solar installations.

10 (e) All agencies shall develop pre-approved designs for
11 typical residential solar installations.

12 (f) Each county shall designate a solar permitting
13 ombudsman to assist applicants and resolve disputes relating to
14 permitting delays or denials.

15 (g) Each county shall provide a quarterly report to the
16 legislature on the following:

17 (1) Average permit processing times;

18 (2) Percentage of permits approved or denied within the
19 required timeframe;

20 (3) Common reasons for delays or denials; and

21 (4) Improvement initiatives.



(h) For purposes of this section, "agencies" means any executive department, independent commission, board, bureau, office, or other establishment of a county, or any quasi-public institution that is supported in whole or in part by county funds."

Part IV

SECTION 5. (a) Pursuant to section 269-142, Hawaii Revised Statutes, the public utilities commission shall, within one hundred eighty days of the effective date of this Act, adopt rules requiring electric utilities in the State to:

(1) Process solar interconnection applications within fifteen business days of receiving a complete application;

(2) Compensate applicants \$100 per week for each week of delay beyond the fifteen-business-day requirement, payable as a credit on the applicant's first bill after system interconnection;

(3) Employ additional interconnection personnel if application processing delays exceed thirty business days on more than ten per cent of applications per quarter;



- 1 (4) Provide online application and status tracking;
- 2 (5) Use standardized solar interconnection agreements;
- 3 (6) Minimize on-site inspection requirements when safe to
- 4 do so; and
- 5 (7) Provide a quarterly report on interconnection
- 6 processing data to the public utilities commission no
- 7 later than ninety days after the end of each quarter.

8 (b) The public utilities commission shall impose
9 administrative penalties on electric utilities that fail to meet
10 the interconnection processing timelines established in this Act
11 as follows:

- 12 (1) A warning for the first violation; and
- 13 (2) For any application delayed beyond the fifteen
- 14 business day requirement thereafter, a fine of \$500
- 15 per day per application.

16 SECTION 6. (a) The Hawaii state energy office shall
17 enhance its workforce development program focusing on jobs in
18 the residential solar installation sector by:

- 19 (1) Providing assistance and information on employment in
- 20 the rooftop solar industry to job seekers,
- 21 prioritizing those who are:



- 1 (A) Displaced workers from fossil fuel industries;
- 2 (B) Young adults residing in areas of high
- 3 unemployment;
- 4 (C) Residents of environmental justice communities;
- 5 (D) Veterans transitioning to civilian careers;
- 6 (E) Native Hawaiians; and
- 7 (F) Any other underserved populations;
- 8 (2) Connecting job seekers to apprenticeships in the
- 9 rooftop solar industry;
- 10 (3) Providing certification for solar installers and
- 11 electricians;
- 12 (4) Expanding partnerships with community colleges, trade
- 13 schools, and other groups to share information and
- 14 identify workforce needs;
- 15 (5) Partnering with the Hawaii Solar Energy Association
- 16 and solar contractors to ensure training curricula
- 17 meet current industry needs and standards;
- 18 (6) Providing stipends or scholarships to offset training
- 19 costs for eligible participants from low-income
- 20 households;



- 1 (7) Requiring apprenticeship programs that receive State
2 support to:
- 3 (A) Pay apprentices at least seventy-five per cent of
4 the journeyman wage; and
- 5 (B) Achieve a permanent job placement rate of at
6 least sixty per cent within six months of program
7 completion; and
- 8 (8) Track and report annually on:
- 9 (A) The number of participants trained;
- 10 (B) Job replacement rates and wages;
- 11 (C) Diversity metrics; and
- 12 (D) Retention rates after one year of employment.
- 13 (b) The Hawaii state energy office shall provide support
14 to counties to implement the requirements described in
15 section 4, including:
- 16 (1) Model ordinances for solar permitting;
- 17 (2) Training for county permitting staff;
- 18 (3) Coordination and knowledge sharing between counties;
- 19 (4) Resources for installers and households.
- 20 SECTION 7. The department of business, economic
21 development, and tourism; Hawaii state energy office; and the



1 public utilities commission may adopt interim rules using
2 expedited rulemaking procedures under section 201M-7, Hawaii
3 Revised Statutes, to implement this Act; provided that:

4 (1) Interim rules shall take effect no later than one
5 hundred twenty days after the effective date of this
6 Act; and

7 (2) Permanent rules shall be adopted within one year after
8 the effective of this Act.

9 Part V

10 SECTION 8. There is appropriated out of the energy
11 security special fund the sum of \$10,000,000 or so much thereof
12 as may be necessary for fiscal year 2026-2027 for the
13 establishment of the direct solar rebate program.

14 The sum appropriated shall be expended by the Hawaii state
15 energy office for the purposes of this Act.

16 SECTION 9. There is appropriated out of the energy
17 security special fund the sum of \$2,000,000 or so much thereof
18 as may be necessary for fiscal year 2026-2027 for the
19 enhancement of Hawaii state energy office's solar workforce
20 development initiatives.



S.B. NO. 2888

1 The sum appropriated shall be expended by the Hawaii state
2 energy office for the purposes of this Act.

3 SECTION 10. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 11. This Act shall take effect on July 1, 2026;
6 provided that part II shall repeal on January 1, 2031; provided
7 further that section 235-12.5, Hawaii Revised Statutes, shall be
8 reenacted in the form in which it read the day before the
9 effective date of this Act.

10
INTRODUCED BY: Mike Gabbard



S.B. NO. 2888

Report Title:

Department of Business, Economic Development, and Tourism; HSEO; Counties; Renewable Energy; Rooftop Solar; Tax Credit; Direct Rebate; Solar Permitting; Workforce Development; Interim Rules; Energy Security Special Fund; Appropriations

Description:

Increases the rooftop solar tax credit to forty five per cent for tax years beginning after December 31, 2025 through December 31, 2030. Establishes the Direct Solar Rebate Program to be administered by the Hawaii State Energy Office for low- and moderate-income households. Streamlines rooftop solar permitting and requires the counties to develop electronic application systems. Requires the Hawaii State Energy Office to enhance workforce development and coordinate with county permitting agencies. Authorizes the adoption of interim rules. Appropriates funds.

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