
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. The legislature finds that the State's
2 environmental commitments and goals necessitate the swift
3 adoption of renewable energy. Renewable energy systems that
4 capture solar and wind energy and convert it to thermal or
5 mechanical energy, electricity, and fuel will be key in the
6 State's transition away from fossil fuels. The legislature
7 further finds that the renewable energy technologies income tax
8 credit could be adjusted to better support low- and
9 moderate- income families by limiting the credit to taxpayers in
10 those income brackets. The legislature additionally finds that
11 such changes would promote equitable access to clean energy and
12 help offset federal actions taken to limit tax incentives for
13 renewable energy, helping to protect hundreds of jobs in the
14 State's energy industry.

15 Accordingly, the purpose of this Act is to amend the
16 renewable energy technologies income tax credit by:



1 (1) Beginning December 31, 2026, prohibiting individually
 2 or jointly filing taxpayers with an adjusted gross
 3 income of \$250,000 or greater from claiming a credit
 4 for certain solar energy systems installed and placed
 5 in service on a single-family residential property,
 6 with certain exemptions; and

7 (2) Increasing the adjusted gross income requirements for
 8 an individual taxpayer to elect to have any excess of
 9 the credit over payments due refunded.

10 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is
 11 amended to read as follows:

12 **"§235-12.5 Renewable energy technologies; income tax**
 13 **credit.** (a) Each individual or corporate taxpayer that files
 14 an individual or corporate net income tax return for a taxable
 15 year may claim a tax credit under this section against the
 16 Hawaii state individual or corporate net income tax. The tax
 17 credit may be claimed for every eligible renewable energy
 18 technology system that is installed and placed in service in the
 19 State by a taxpayer during the taxable year. The tax credit may
 20 be claimed as follows:



1 (1) For each solar energy system: thirty-five per cent of
2 the actual cost or the cap amount determined in
3 subsection [~~(b)~~] (c); provided that:
4 (A) For taxable years beginning after December 31,
5 2019, and except as provided in subparagraphs (B)
6 and (C), no tax credit may be claimed for a solar
7 energy system that is five megawatts in total
8 output capacity or larger and requires a power
9 purchase agreement approved by the public
10 utilities commission;
11 (B) A solar energy system that is five megawatts in
12 total output capacity or larger, installed and
13 placed in service pursuant to a power purchase
14 agreement approved or pending approval by a
15 decision and order by the public utilities
16 commission [~~prior to~~] before December 31, 2019,
17 shall continue to receive a tax credit equal to
18 thirty-five per cent of the actual cost, or
19 \$500,000 per solar energy system that has a total
20 output capacity of at least one thousand



1 kilowatts per system of direct current, whichever
2 is less; and

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

11 (2) For each wind-powered energy system: twenty per cent
12 of the actual cost or the cap amount determined in
13 subsection ~~[(b)]~~ (c), whichever is less;

14 provided further that multiple owners of a single system shall
15 be entitled to a single tax credit; ~~and~~ provided further that
16 the tax credit shall be apportioned between the owners in
17 proportion to their contribution to the cost of the system.

18 In the case of a partnership, S corporation, estate, or
19 trust, the tax credit allowable is for every eligible renewable
20 energy technology system that is installed and placed in service
21 in the State by the entity. The cost upon which the tax credit



1 is computed shall be determined at the entity level.
2 Distribution and share of credit shall be determined pursuant to
3 administrative rule.

4 (b) For taxable years beginning after December 31, 2026,
5 no taxpayer may claim a tax credit under this section for a
6 solar energy system that is installed and placed in service on a
7 single-family residential property unless the taxpayer's
8 adjusted gross income is \$250,000 or less if filing as an
9 individual or jointly; provided that this income restriction
10 shall not apply to a third party financing a solar energy system
11 for single-family residential property; provided further that
12 this income restriction shall not apply to any energy systems
13 with the primary purpose of using energy from the sun to heat
14 water for household use.

15 ~~(b)~~ (c) The amount of credit allowed for each eligible
16 renewable energy technology system shall not exceed the
17 applicable cap amount, which is determined as follows:

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



- 1 (A) \$2,250 per system for single-family residential
2 property;
- 3 (B) \$350 per unit per system for multi-family
4 residential property; and
- 5 (C) \$250,000 per system for commercial property;
- 6 (2) For all other solar energy systems, the cap amounts
7 shall be:
- 8 (A) [~~\$5,000~~] _____ per system for single-family
9 residential property; provided that if all or a
10 portion of the system is used to fulfill the
11 substitute renewable energy technology
12 requirement pursuant to section 196-6.5(a)(3),
13 the credit shall be reduced by thirty-five per
14 cent of the actual system cost or \$2,250,
15 whichever is less;
- 16 (B) \$350 per unit per system for multi-family
17 residential property; and
- 18 (C) \$500,000 per system for commercial property; and
- 19 (3) For all wind-powered energy systems, the cap amounts
20 shall be:



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

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

10 (C) \$500,000 per system for commercial property.

11 [~~e~~] (d) For the purposes of this section:

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

18 "Household use" means any use to which heated water is
19 commonly put in a residential setting, including commercial
20 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 "Solar or wind energy system" means any identifiable
8 facility, equipment, apparatus, or the like that converts solar
9 or wind energy to useful thermal or electrical energy for
10 heating, cooling, or reducing the use of other types of energy
11 that are dependent upon fossil fuel for their generation.

12 [~~d~~] (e) For taxable years beginning after December 31,
13 2005, the dollar amount of any utility rebate shall be deducted
14 from the cost of the qualifying system and its installation
15 before applying the state tax credit.

16 [~~e~~] (f) The director of taxation shall prepare any forms
17 that may be necessary to claim a tax credit under this section,
18 including forms identifying the technology type of each tax
19 credit claimed under this section, whether for solar or wind.
20 The director may also require the taxpayer to furnish reasonable
21 information to ascertain the validity of the claim for credit



1 made under this section and may adopt rules necessary to
2 effectuate the purposes of this section pursuant to chapter 91.
3 ~~[(f)]~~ (g) If the tax credit under this section exceeds the
4 taxpayer's income tax liability, the excess of the credit over
5 liability may be used as a credit against the taxpayer's income
6 tax liability in subsequent years until exhausted, unless
7 otherwise elected by the taxpayer pursuant to subsection ~~[(g)]~~
8 (h) or ~~[(h)]~~ (i). All claims for the tax credit under this
9 section, including amended claims, shall be filed on or before
10 the end of the twelfth month following the close of the taxable
11 year for which the credit may be claimed. Failure to comply
12 with this subsection shall constitute a waiver of the right to
13 claim the credit.
14 ~~[(g)]~~ (h) For solar energy systems, a taxpayer may elect
15 to reduce the eligible credit amount by thirty per cent and if
16 this reduced amount exceeds the amount of income tax payment due
17 from the taxpayer, the excess of the credit amount over payments
18 due shall be refunded to the taxpayer; provided that tax credit
19 amounts properly claimed by a taxpayer who has no income tax
20 liability shall be paid to the taxpayer; ~~[and]~~ provided further



1 that no refund on account of the tax credit allowed by this
2 section shall be made for amounts less than \$1.

3 The election required by this subsection shall be made in a
4 manner prescribed by the director on the taxpayer's return for
5 the taxable year in which the system is installed and placed in
6 service. A separate election may be made for each separate
7 system that generates a credit. An election once made is
8 irrevocable.

9 ~~[(h)]~~ (i) Notwithstanding subsection ~~[(g)],~~ (h), for any
10 renewable energy technology system, an individual taxpayer may
11 elect to have any excess of the credit over payments due
12 refunded to the taxpayer, if:

13 (1) All of the taxpayer's income is exempt from taxation
14 under section 235-7(a)(2) or (3); or

15 (2) The taxpayer's adjusted gross income is ~~[\$20,000]~~
16 \$40,000 or less (or ~~[\$40,000]~~ \$60,000 or less if
17 filing a tax return as married filing jointly);

18 provided that tax credits properly claimed by a taxpayer who has
19 no income tax liability shall be paid to the taxpayer; ~~and~~
20 provided further that no refund on account of the tax credit
21 allowed by this section shall be made for amounts less than \$1.



1 ~~[A husband and wife]~~ Spouses who do not file a joint tax
2 return shall only be entitled to make this election to the
3 extent that they would have been entitled to make the election
4 had they filed a joint tax return.

5 The election required by this subsection shall be made in a
6 manner prescribed by the director on the taxpayer's return for
7 the taxable year in which the system is installed and placed in
8 service. A separate election may be made for each separate
9 system that generates a credit. An election once made is
10 irrevocable.

11 ~~[(i)]~~ (j) No taxpayer shall be allowed a credit under this
12 section for the portion of the renewable energy technology
13 system required by section 196-6.5 that is installed and placed
14 in service on any newly constructed single-family residential
15 property authorized by a building permit issued on or after
16 January 1, 2010.

17 ~~[(j)]~~ (k) To the extent feasible, using existing resources
18 to assist the energy-efficiency policy review and evaluation,
19 the department shall assist with data collection on the
20 following for each taxable year:



1 (1) The number of renewable energy technology systems that
2 have qualified for a tax credit during the calendar
3 year by:

4 (A) Technology type; and

5 (B) Taxpayer type (corporate and individual); and

6 (2) The total cost of the tax credit to the State during
7 the taxable year by:

8 (A) Technology type; and

9 (B) Taxpayer type.

10 [~~(1)~~] (1) This section shall apply to eligible renewable
11 energy technology systems that are installed and placed in
12 service on or after July 1, 2009."

13 SECTION 3. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on April 19, 2042,
16 and shall apply to taxable years beginning after December 31,
17 2026.



Report Title:

Renewable Energy Technologies; Income Tax Credit; Income Restriction; Solar Energy Systems

Description:

Prohibits individually or jointly filing taxpayers with an adjusted gross income of \$250,000 or greater from claiming the renewable energy technologies income tax credit for certain solar energy systems installed and placed in service on a single-family residential property, with certain exemptions. Increases the adjusted gross income requirements for an individual taxpayer to elect to have any excess credits refunded. Applies to taxable years beginning after 12/31/26. Effective 4/19/2042. (SD2)

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