
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 moderate-
9 income families by limiting the credit to taxpayers in those
10 income brackets. The legislature additionally finds that these
11 changes would promote equitable access to clean energy and help
12 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) Limiting claims for certain solar energy systems
- 2 installed and placed in service on a single-family
- 3 residential property to taxpayers with an adjusted
- 4 gross income of \$250,000 or less if filing as an
- 5 individual or \$350,000 or less if filing jointly;
- 6 (2) Removing certain cap amounts for solar energy systems
- 7 that are not third-party financed systems; and
- 8 (3) Increasing the adjusted gross income requirements for
- 9 an individual taxpayer to elect to have any excess
- 10 credits refunded and limiting refundability to systems
- 11 that are not third-party financed systems.

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

- 14 1. By amending subsections (a) through (c) to read:
- 15 "(a) Each individual or corporate taxpayer that files an
- 16 individual or corporate net income tax return for a taxable year
- 17 may claim a tax credit under this section against the Hawaii
- 18 state individual or corporate net income tax. The tax credit
- 19 may be claimed for every eligible renewable energy technology
- 20 system that is installed and placed in service in the State by a
- 21 taxpayer during the taxable year. No taxpayer may claim a tax



1 credit under this section for a solar energy system with the
2 primary purpose other than using energy from the sun to heat
3 water for household use that is installed and placed in service
4 on a single-family residential property unless the taxpayer's
5 adjusted gross income is \$250,000 or less if filing as an
6 individual or \$350,000 or less if filing jointly; provided that
7 this income restriction shall only apply to systems that are not
8 third-party financed systems. The tax credit may be claimed as
9 follows:

10 (1) For each solar energy system: thirty-five per cent of
11 the actual cost or the cap amount determined in
12 subsection (b); provided that:

13 (A) For taxable years beginning after December 31,
14 2019, and except as provided in subparagraphs (B)
15 and (C), no tax credit may be claimed for a solar
16 energy system that is five megawatts in total
17 output capacity or larger and requires a power
18 purchase agreement approved by the public
19 utilities commission;

20 (B) A solar energy system that is five megawatts in
21 total output capacity or larger, installed and



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



1 provided further that multiple owners of a single system shall
2 be entitled to a single tax credit; ~~and~~ provided further that
3 the tax credit shall be apportioned between the owners in
4 proportion to their contribution to the cost of the system.

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

10 Distribution and share of credit shall be determined pursuant to
11 administrative rule.

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

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

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

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



- 1 (C) \$250,000 per system for commercial property;
- 2 (2) For all other solar energy systems, the cap amounts
- 3 shall be:
- 4 (A) [~~\$5,000 per system for~~] For single-family
- 5 residential property[+];
- 6 (i) \$5,000 per third-party financed system; or
- 7 (ii) No cap for a system that is not a third-
- 8 party financed system;
- 9 provided that if all or a portion of the system
- 10 is used to fulfill the substitute renewable
- 11 energy technology requirement pursuant to section
- 12 196-6.5(a)(3), the credit shall be reduced by
- 13 thirty-five per cent of the actual system cost or
- 14 \$2,250, whichever is less;
- 15 (B) \$350 per unit per system for multi-family
- 16 residential property; and
- 17 (C) \$500,000 per system for commercial property; and
- 18 (3) For all wind-powered energy systems, the cap amounts
- 19 shall be:
- 20 (A) \$1,500 per system for single-family residential
- 21 property; provided that if all or a portion of



1 the system is used to fulfill the substitute
2 renewable energy technology requirement pursuant
3 to section 196-6.5(a)(3), the credit shall be
4 reduced by twenty per cent of the actual system
5 cost or \$1,500, whichever is less;

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

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

9 (c) For the purposes of this section:

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

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

19 "Renewable energy technology system" means a new system
20 that captures and converts a renewable source of energy, such as
21 solar or wind energy, into:



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

4 "Solar or wind energy system" means any identifiable
5 facility, equipment, apparatus, or the like that converts solar
6 or wind energy to useful thermal or electrical energy for
7 heating, cooling, or reducing the use of other types of energy
8 that are dependent upon fossil fuel for their generation.

9 "Third-party financed system" means a renewable energy
10 technology system for which a tax credit under this section is
11 claimed by a taxpayer who is not the owner of the property on
12 which the system is installed and placed into service."

13 2. By amending subsection (h) to read:

14 "(h) Notwithstanding subsection (g), for any renewable
15 energy technology system, an individual taxpayer may elect to
16 have any excess of the credit over payments due refunded to the
17 taxpayer, if:

- 18 (1) All of the taxpayer's income is exempt from taxation
19 under section 235-7(a)(2) or (3); or
20 (2) The system is not a third-party financed system and
21 the taxpayer's adjusted gross income is [~~\$20,000~~]



1 \$40,000 or less (or [~~\$40,000~~] \$60,000 or less if
2 filing a tax return as married filing jointly);
3 provided that tax credits properly claimed by a taxpayer who has
4 no income tax liability shall be paid to the taxpayer; [~~and~~]
5 provided further that no refund on account of the tax credit
6 allowed by this section shall be made for amounts less than \$1.
7 [~~A husband and wife~~] Spouses who do not file a joint tax
8 return shall only be entitled to make this election to the
9 extent that they would have been entitled to make the election
10 had they filed a joint tax return.

11 The election required by this subsection shall be made in a
12 manner prescribed by the director on the taxpayer's return for
13 the taxable year in which the system is installed and placed in
14 service. A separate election may be made for each separate
15 system that generates a credit. An election once made is
16 irrevocable."

17 SECTION 3. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 3000, and
20 shall apply to taxable years beginning after December 31, 2026.



Report Title:

Renewable Energy Technologies; Income Tax Credit; Income Restriction; Solar Energy Systems; Third-party Financed Systems

Description:

Amends the Renewable Energy Technologies Income Tax Credit by: beginning 12/31/26, limiting claims for certain solar energy systems that are not third-party financed systems and installed and placed in service on a single-family residential property to taxpayers with an adjusted gross income of \$250,000 or less if filing as an individual or \$350,000 or less if filing jointly; removing certain cap amounts for solar energy systems that are not third-party financed systems; and increasing the maximum adjusted gross income an individual taxpayer must be below in order to be eligible to have any excess credits refunded and limiting credit refundability to systems that are not third-party financed systems. Effective 7/1/3000. (SD1)

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