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# 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 these 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) 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 \$175,000 or less if filing as an
- 5                   individual, \$262,500 or less if filing as a head of
- 6                   household, or \$350,000 or less if filing jointly;
- 7           (2) Removing certain cap amounts for solar energy systems
- 8                   that are not third-party financed systems;
- 9           (3) Increasing the adjusted gross income requirements for
- 10                   an individual taxpayer to elect to have any excess
- 11                   credits refunded and limiting refundability to systems
- 12                   that are not third-party financed systems; and
- 13           (4) Prohibiting a taxpayer from claiming a credit for a
- 14                   renewable energy technology system installed and
- 15                   placed in service on a residential property where the
- 16                   taxpayer has claimed a credit in prior taxable years.

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

- 19           1. By amending subsections (a) through (c) to read:
- 20                   "(a) Each individual or corporate taxpayer that files an
- 21                   individual or corporate net income tax return for a taxable year



1 may claim a tax credit under this section against the Hawaii  
2 state individual or corporate net income tax. The tax credit  
3 may be claimed for every eligible renewable energy technology  
4 system that is installed and placed in service in the State by a  
5 taxpayer during the taxable year. No taxpayer may claim a tax  
6 credit under this section for a solar energy system with the  
7 primary purpose other than using energy from the sun to heat  
8 water for household use that is installed and placed in service  
9 on a single-family residential property unless the taxpayer's  
10 adjusted gross income is \$175,000 or less if filing as an  
11 individual, \$262,500 or less if filing as a head of household,  
12 or \$350,000 or less if filing jointly; provided that this income  
13 restriction shall only apply to systems that are not third-party  
14 financed systems. The tax credit may be claimed as follows:

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

18 (A) For taxable years beginning after December 31,  
19 2019, and except as provided in subparagraphs (B)  
20 and (C), no tax credit may be claimed for a solar  
21 energy system that is five megawatts in total



1 output capacity or larger and requires a power  
2 purchase agreement approved by the public  
3 utilities commission;

4 (B) A solar energy system that is five megawatts in  
5 total output capacity or larger, installed and  
6 placed in service pursuant to a power purchase  
7 agreement approved or pending approval by a  
8 decision and order by the public utilities  
9 commission prior to December 31, 2019, shall  
10 continue to receive a tax credit equal to  
11 thirty-five per cent of the actual cost, or  
12 \$500,000 per solar energy system that has a total  
13 output capacity of at least one thousand  
14 kilowatts per system of direct current, whichever  
15 is less; and

16 (C) For each solar energy system integrated with a  
17 pumped hydroelectric energy storage system, the  
18 tax credit may be claimed for thirty-five per  
19 cent of the actual cost or the cap amount  
20 determined in subsection (b), whichever is less;  
21 provided that applicable project approval filings



1                    have been made to the public utilities commission  
2                    by December 31, 2021; or

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

6 provided further that multiple owners of a single system shall  
7 be entitled to a single tax credit; ~~and~~ provided further that  
8 the tax credit shall be apportioned between the owners in  
9 proportion to their contribution to the cost of the system.

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

15 Distribution and share of credit shall be determined pursuant to  
16 administrative rule.

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



- 1 (1) If the primary purpose of the solar energy system is  
2 to use energy from the sun to heat water for household  
3 use, then the cap amounts shall be:
- 4 (A) \$2,250 per system for single-family residential  
5 property;
- 6 (B) \$350 per unit per system for multi-family  
7 residential property; and
- 8 (C) \$250,000 per system for commercial property;
- 9 (2) For all other solar energy systems, the cap amounts  
10 shall be:
- 11 (A) [~~\$5,000 per system for~~] For single-family  
12 residential property[+]:
- 13 (i) \$5,000 per third-party financed system; or  
14 (ii) \$5,000 for a system that is not a  
15 third-party financed system;
- 16 provided that if all or a portion of the system  
17 is used to fulfill the substitute renewable  
18 energy technology requirement pursuant to  
19 section 196-6.5(a)(3), the credit shall be  
20 reduced by thirty-five per cent of the actual  
21 system cost or \$2,250, whichever is less;



1 (B) \$350 per unit per system for multi-family  
2 residential property; and  
3 (C) \$500,000 per system for commercial property; and  
4 (3) For all wind-powered energy systems, the cap amounts  
5 shall be:  
6 (A) \$1,500 per system for single-family residential  
7 property; provided that if all or a portion of  
8 the system is used to fulfill the substitute  
9 renewable energy technology requirement pursuant  
10 to section 196-6.5(a)(3), the credit shall be  
11 reduced by twenty per cent of the actual system  
12 cost or \$1,500, whichever is less;  
13 (B) \$200 per unit per system for multi-family  
14 residential property; and  
15 (C) \$500,000 per system for commercial property.  
16 (c) For the purposes of this section:  
17 "Actual cost" means costs related to the renewable energy  
18 technology systems under subsection (a), including accessories  
19 and installation, but not including the cost of consumer  
20 incentive premiums unrelated to the operation of the system or



1 offered with the sale of the system and costs for which another  
2 credit is claimed under this chapter.

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

6 "Renewable energy technology system" means a new system  
7 that captures and converts a renewable source of energy, such as  
8 solar or wind energy, into:

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

12 "Solar or wind energy system" means any identifiable  
13 facility, equipment, apparatus, or the like that converts solar  
14 or wind energy to useful thermal or electrical energy for  
15 heating, cooling, or reducing the use of other types of energy  
16 that are dependent upon fossil fuel for their generation.

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

21 2. By amending subsections (h) and (i) to read:



1           "(h) Notwithstanding subsection (g), for any renewable  
2 energy technology system, an individual taxpayer may elect to  
3 have any excess of the credit over payments due refunded to the  
4 taxpayer, if:

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

7           (2) The system is not a third-party financed system and  
8           the taxpayer's adjusted gross income is [~~\$20,000~~  
9           \$40,000 or less (or [~~\$40,000~~ \$60,000 or less if  
10           filing a tax return as married filing jointly);

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

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

19           The election required by this subsection shall be made in a  
20 manner prescribed by the director on the taxpayer's return for  
21 the taxable year in which the system is installed and placed in



1 service. A separate election may be made for each separate  
2 system that generates a credit. An election once made is  
3 irrevocable.

4 (i) No taxpayer shall be allowed a credit under this  
5 section for ~~the~~:

6 (1) The portion of the renewable energy technology system  
7 required by section 196-6.5 that is installed and  
8 placed in service on any newly constructed  
9 single-family residential property authorized by a  
10 building permit issued on or after January 1, 2010[~~7~~];

11 or

12 (2) Any renewable energy technology system that is  
13 installed and placed in service on a single-family  
14 residential property or multi-family residential  
15 property where the taxpayer has claimed a credit under  
16 this section in prior taxable years."

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 upon its approval;  
20 provided that:



- 1 (1) Section 2 shall apply to taxable years beginning after  
2 December 31, 2026; and
- 3 (2) On January 1, 2029, this Act shall be repealed, and  
4 section 235-12.5, Hawaii Revised Statutes, shall be  
5 reenacted in the form in which it read on the day  
6 prior to the effective date of this Act.



**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: 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 \$175,000 or less if filing as an individual, \$262,500 or less if filing as a head of household, or \$350,000 or less if filing jointly; 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; and prohibiting a taxpayer from claiming a credit for a renewable energy technology system installed and placed in service on a residential property where the taxpayer has claimed a credit in prior taxable years. Applies to taxable years beginning after 12/31/2026. Sunsets 1/1/2029. (SD2)

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