
A BILL FOR AN ACT

RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT.

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

1 SECTION 1. Section 235-110.32, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) Each year during the credit period, there shall be
5 allowed to each taxpayer subject to the taxes imposed by this
6 chapter a renewable fuels production tax credit that shall be
7 applied to the taxpayer's net income tax liability, if any,
8 imposed by this chapter for the taxable year in which the credit
9 is properly claimed.

10 For each taxpayer producing renewable fuels, the annual
11 dollar amount of the renewable fuels production tax credit
12 during the ten-year credit period shall be equal to [~~20~~] 85
13 cents per seventy-six thousand British thermal units of
14 renewable fuels using the lower heating value sold for
15 distribution in the State; provided that the taxpayer's
16 production of renewable fuels is not less than two billion five
17 hundred million British thermal units of renewable fuels per



1 calendar year; provided further that the amount of the tax
2 credit claimed under this section by a taxpayer shall not exceed
3 [~~\$3,500,000~~] \$7,000,000 per taxable year; provided further that
4 the tax credit shall only be claimed for [~~fuels with lifecycle~~
5 ~~emissions below that of fossil fuels.~~] low lifecycle emissions
6 renewable fuels. No other tax credit may be claimed under this
7 chapter for the costs incurred to produce the renewable fuels
8 that are used to properly claim a tax credit under this section
9 for the taxable year.

10 Each taxpayer, together with all of its related entities as
11 determined under section 267(b) of the Internal Revenue Code and
12 all business entities under common control, as determined under
13 sections 414(b), 414(c), and 1563(a) of the Internal Revenue
14 Code, shall not be eligible for more than a single [~~ten-year~~]
15 credit period[-]; provided that taxpayers who previously claimed
16 the tax credit for a single credit period for taxable years
17 beginning before January 1, 2027, may claim another tax credit
18 for taxable years beginning after December 31, 2026."

19 2. By amending subsections (c) and (d) to read:

20 "(c) No later than thirty days following the close of the
21 calendar year, every taxpayer claiming a credit under this



1 section shall complete and file an independent, third-party
2 certified statement, at the taxpayer's sole expense, with and in
3 the form prescribed by the Hawaii state energy office, providing
4 the following information:

- 5 (1) The type, quantity, and British thermal unit value,
6 using the lower heating value, of each qualified fuel,
7 broken down by the type of fuel, produced and sold
8 during the previous calendar year;
- 9 (2) The feedstock used for each type of qualified fuel;
- 10 (3) The proposed total amount of credit to which the
11 taxpayer is entitled for each calendar year and the
12 cumulative amount of the tax credit the taxpayer
13 received during the credit period;
- 14 (4) The number of full-time and [~~number of~~] part-time
15 employees of the facility and those employees' states
16 of residency, totaled per state;
- 17 (5) . The number and location of all renewable fuel
18 production facilities within and outside of the State;
19 [and]
- 20 (6) The lifecycle greenhouse gas emissions [~~per~~] in
21 kilograms of carbon dioxide equivalent per million



1 British thermal units for each type of qualified fuel
2 produced~~[.];~~ and

3 (7) The lifecycle greenhouse gas emissions reported to the
4 United States Department of the Treasury, if different
5 than the emissions reported pursuant to paragraph (6).

6 (d) Within thirty calendar days after the due date of the
7 statement required under subsection (c), the Hawaii state energy
8 office shall:

9 (1) Acknowledge, in writing, receipt of the statement;

10 (2) Issue a certificate to the taxpayer reporting the
11 amount of renewable fuels produced and sold, the
12 amount of credit that the taxpayer is entitled to
13 claim for the previous calendar year, and the
14 cumulative amount of the tax credit during the credit
15 period; and

16 (3) Provide the taxpayer with a determination of whether
17 the lifecycle greenhouse gas emissions for each type
18 of qualified fuel produced ~~[is lower than that of~~
19 ~~fossil fuels.]~~ meets the lifecycle greenhouse gas
20 emissions reduction threshold, product transportation



1 emissions threshold, and feedstock transportation
2 emissions threshold."
3 3. By amending subsection (f) to read:
4 "(f) The total amount of tax credits allowed under this
5 section shall not exceed \$20,000,000 for all eligible taxpayers
6 in any calendar year. In the event that the credit claims under
7 this section exceed \$20,000,000 for all eligible taxpayers in
8 any given calendar year, the \$20,000,000 shall be ~~[divided~~
9 ~~between all]~~ allocated to eligible taxpayers ~~[for that year]~~ in
10 proportion to the total amount of renewable fuels ~~[produced by~~
11 ~~all eligible taxpayers.]~~ production tax credit claims under this
12 section for the calendar year. Upon reaching \$20,000,000 in the
13 aggregate, the Hawaii state energy office shall immediately
14 discontinue issuing certificates and notify the department of
15 taxation. ~~[In no instance shall the total dollar amount of~~
16 ~~certificates issued exceed \$20,000,000 per calendar year.]~~ To
17 the extent that the proportional allocation and applications of
18 the cap on the amount of the credit claimed by a single taxpayer
19 pursuant to subsection (a) results in total credits lower than
20 \$20,000,000, the difference between the \$20,000,000 and the
21 total shall be allocated to any remaining eligible claims from



1 taxpayers that have not exceeded the cap on the amount of the
2 credit claimed by a single taxpayer pursuant to subsection (a)
3 in proportion to the renewable fuels production tax credit
4 claims for those taxpayers in the calendar year. To the extent
5 that the limitations of this subsection reduce the amount of a
6 taxpayer's credit, the amount of the reduction shall be
7 available to the taxpayer to be used as a credit in the
8 subsequent calendar year; provided that the credit shall not be
9 carried over for any calendar year thereafter; provided further
10 that the carryover credit shall be subject to the limitations of
11 this subsection."

12 4. By amending subsection (o) to read:

13 "(o) ~~[As used in]~~ For the purposes of this section:

14 "Credit period" means a maximum period of ten consecutive
15 years, beginning from ~~[the first taxable year in which a~~
16 ~~taxpayer begins renewable fuels production at a level of at~~
17 ~~least two billion five hundred million British thermal units of~~
18 ~~renewable fuels per calendar year.]~~ July 1, 2026.

19 "Feedstock transportation emissions threshold" means the
20 carbon intensity contribution associated with the oceangoing
21 transportation of the feedstock from the feedstock producer to



1 the renewable fuel producer is less than 0.48 kilogram per
2 million British thermal units as determined by the lifecycle
3 greenhouse gas emissions analysis.

4 "Lifecycle greenhouse gas emissions" means the aggregate
5 attributional core lifecycle greenhouse gas emissions values
6 utilizing one of the following:

7 (1) The most recent version of the United States
8 Department of Energy's Argonne National Laboratory's
9 greenhouse gases, regulated emissions, and energy use
10 in technologies (GREET) model, including agricultural
11 practices and carbon capture and sequestration; or

12 (2) Another lifecycle methodology approved by the Hawaii
13 state energy office.

14 "Lifecycle greenhouse gas emissions reduction threshold"
15 means a reduction in lifecycle greenhouse gas emissions of fifty
16 per cent compared to the fossil fuel for which the renewable
17 fuel is most likely to replace.

18 "Low lifecycle emissions renewable fuels" means renewable
19 fuel that meets the lifecycle greenhouse gas emissions reduction
20 threshold, product transportation emissions threshold, and
21 feedstock transportation emissions threshold.



1 "Net income tax liability" means income tax liability
2 reduced by all other credits allowed under this chapter.

3 "Product transportation emissions threshold" means the
4 carbon intensity contribution associated with the oceangoing
5 transportation of the finished fuel from the renewable fuel
6 producer to the final distribution storage facility is less than
7 0.48 kilogram per million British thermal units as determined by
8 the lifecycle greenhouse gas emissions analysis.

9 "Renewable feedstocks" means:

- 10 (1) Biomass crops and other renewable organic material,
11 including but not limited to logs, wood chips, wood
12 pellets, and wood bark;
- 13 (2) Agricultural residue;
- 14 (3) Oil crops, including but not limited to algae, canola,
15 jatropha, palm, soybean, and sunflower;
- 16 (4) Sugar and starch crops, including but not limited to
17 sugar cane and cassava;
- 18 (5) Other agricultural crops;
- 19 (6) Grease, fats, tallows, and waste cooking oil;
- 20 (7) Food wastes;



1 (8) Municipal solid wastes [~~and~~], industrial wastes [~~and~~],
2 and construction and demolition wastes;

3 (9) Water, including wastewater; [~~and~~]

4 (10) Bio-intermediate ethanol produced from renewable
5 feedstock;

6 [~~(10)~~] (11) Animal residues and wastes [~~and~~];

7 (12) Biogas or renewable natural gas;

8 (13) Gaseous carbon dioxide; and

9 (14) Renewable or zero carbon energy resources,

10 that can be used to generate energy.

11 "Renewable fuels" means fuels produced from renewable
12 feedstocks; provided that the fuel:

13 (1) Is sold and consumed as a fuel in the State; [~~and~~]

14 (2) Meets the lifecycle greenhouse gas emissions reduction
15 threshold; and

16 [~~(2)~~] (3) Meets the relevant ASTM International
17 specifications or other industry specifications for
18 the particular fuel, including but not limited to:

19 (A) Methanol, ethanol, or other alcohols;

20 (B) Hydrogen;

21 (C) Biodiesel or renewable diesel;



- 1 (D) Biogas;
- 2 (E) Other biofuels;
- 3 (F) Renewable [~~jet fuel or renewable~~] gasoline[~~+~~] or
- 4 renewable naphtha;
- 5 (G) Renewable propane or renewable liquid petroleum
- 6 gases; or
- 7 [~~G~~] (H) Logs, wood chips, wood pellets, or wood
- 8 bark."

9 SECTION 2. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 3. This Act shall take effect on July 1, 3000, and
12 shall apply to taxable years beginning after December 31, 2025.



Report Title:

Renewable Fuel; Renewable Fuels Production Tax Credit

Description:

Expands the provisions of the renewable fuels production tax credit. Applies to taxable years beginning after December 31, 2025. Effective 7/1/3000. (HD1)

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