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# 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 cents per  
13 seventy-six thousand British thermal units of renewable fuels  
14 using the lower heating value for which qualified renewable fuel  
15 production costs are incurred within the State and sold for  
16 distribution in the State; provided that the taxpayer's  
17 production of renewable fuels is not less than two billion five



1 hundred million British thermal units of renewable fuels per  
2 calendar year; provided further that the amount of the tax  
3 credit claimed under this section by a taxpayer shall not exceed  
4 \$3,500,000 per taxable year; provided further that the tax  
5 credit shall only be claimed for fuels with lifecycle emissions  
6 below that of fossil fuels. No other tax credit may be claimed  
7 [~~under this chapter~~] for the costs incurred to produce the  
8 renewable fuels that are used to properly claim a tax credit  
9 under this section 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~~] a  
15 separate ten-year credit period[-] for each separate qualified  
16 renewable fuels production located at a separate physical site  
17 that meets the eligibility requirements of this section."

18 2. By amending subsection (c) to read:

19 "(c) No later than [~~thirty~~] ninety days following the  
20 close of the calendar year, every taxpayer claiming a credit  
21 under this section shall complete and file an independent,



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

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



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

2           "(d) Within thirty calendar days after the due date of the  
3 statement required under subsection (c), the Hawaii state energy  
4 office shall:

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

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

12          (3) Provide the taxpayer with a determination of whether  
13 the lifecycle greenhouse gas emissions for each type  
14 of qualified fuel produced is lower than that of  
15 fossil fuels[-];

16 provided that the Hawaii state energy office shall issue a  
17 certificate to a taxpayer who could have claimed the credit for  
18 a previous calendar year, but was unable to because the maximum  
19 annual credit amount under subsection (f) was reached for that  
20 year, stating the amount of credit that the taxpayer is entitled  
21 to claim in the subsequent year."



1           4. By amending subsections (f) and (g) to read:  
2           "(f) The total amount of tax credits allowed under this  
3 section shall not exceed \$20,000,000 for all eligible taxpayers  
4 in any calendar year. In the event that the credit claims under  
5 this section exceed \$20,000,000 for all eligible taxpayers in  
6 any given calendar year, the \$20,000,000 shall be divided  
7 between all eligible taxpayers for that year in proportion to  
8 the total amount of renewable fuels produced by all eligible  
9 taxpayers. Upon reaching \$20,000,000 in the aggregate, the  
10 Hawaii state energy office shall immediately discontinue issuing  
11 certificates and notify the department of taxation. In no  
12 instance shall the total dollar amount of certificates issued  
13 exceed \$20,000,000 per calendar year[-]; provided that, if the  
14 total amount of credits applied for in any particular year  
15 exceeds the aggregate amount of credits allowed for that year  
16 under this section, the excess shall be treated as having been  
17 applied for in the subsequent year and shall be claimed in the  
18 subsequent year.

19           (g) Notwithstanding any other law to the contrary, the  
20 information collected and compiled by the Hawaii state energy  
21 office under subsections (c) and (d) for the purposes of the



1 renewable fuels production tax credit shall be available for  
2 public inspection and dissemination, subject to chapter 92F[-];  
3 provided that any information under subsections (c), (d), (k),  
4 and (l) that is determined to constitute critical energy  
5 infrastructure information pursuant to section 215A(d) of the  
6 Federal Power Act (16 U.S.C. 824o-1), the disclosure of which  
7 could reasonably be expected to jeopardize the security, safety,  
8 or operational resilience of critical energy infrastructure,  
9 shall be treated as confidential and exempt from public  
10 disclosure."

11 5. By amending subsection (k) to read:

12 "(k) Before the production of any renewable fuels for the  
13 calendar year, the taxpayer shall provide written notice of the  
14 taxpayer's intention to begin production of renewable fuels.  
15 The written notice shall be provided to the department of  
16 taxation and the Hawaii state energy office and shall include  
17 information on the taxpayer, state facility location, facility  
18 production capacity, anticipated production start date, and the  
19 taxpayer's contact information. Notwithstanding any other law  
20 to the contrary, the written notice described in this  
21 subsection, including taxpayer and facility information, shall



1 be available for public inspection and dissemination, subject to  
2 chapter 92F."

3 6. By amending subsection (m) to read:

4 "(m) Following each calendar year in which a credit under  
5 this section has been claimed, the chief energy officer of the  
6 Hawaii state energy office shall submit a written report to the  
7 governor and legislature regarding the production and sale of  
8 renewable fuels. The report shall include:

- 9 (1) The number and state location of renewable fuels  
10 production facilities [~~in the State and outside the~~  
11 ~~State~~] that have claimed a credit under this section;  
12 (2) The total number of British thermal units of renewable  
13 fuels, itemized by type of fuel produced and sold  
14 during the previous calendar year; and  
15 (3) The projected number of British thermal units of  
16 renewable fuels production for the succeeding year."

17 7. By amending subsection (o) to read:

18 "(o) As used in this section:

19 "Credit period" means a maximum period of ten consecutive  
20 years, beginning from the first taxable year in which a taxpayer  
21 begins renewable fuels production at a level of at least two



1 billion five-hundred million British thermal units of renewable  
2 fuels per calendar year.

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

5 "Qualified renewable fuel production costs" means the costs  
6 incurred by a qualified production within the State that are  
7 subject to the general excise tax under chapter 237 at the  
8 highest rate of tax or income tax under this chapter if the  
9 costs are not subject to the general excise tax.

10 "Renewable feedstocks" means:

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



1 (8) Municipal solid wastes and industrial wastes;

2 (9) Water, including wastewater; and

3 (10) Animal residues and wastes,

4 that can be used to generate energy.

5 "Renewable fuels" means fuels produced from renewable  
6 feedstocks; provided that the fuel:

7 (1) Is sold as a fuel in the State; and

8 (2) Meets the relevant ASTM International specifications  
9 or other industry specifications for the particular  
10 fuel, including but not limited to:

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

12 (B) Hydrogen;

13 (C) Biodiesel or renewable diesel;

14 (D) Biogas;

15 (E) Other biofuels;

16 (F) Renewable jet fuel or renewable gasoline; or

17 (G) Logs, wood chips, wood pellets, or wood bark."

18 SECTION 2. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.



1 SECTION 3. This Act shall take effect on April 19, 2042,  
2 and shall apply to taxable years beginning after December 31,  
3 2026.



**Report Title:**

Renewable Fuels Production Tax Credit; Renewable Fuels  
Production

**Description:**

Clarifies that the Renewable Fuels Production Tax Credit shall only be claimed by taxpayers for which qualified renewable fuels production costs are incurred within the State and sold for distribution within the State. Allows taxpayers to be eligible for a separate 10-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements. Extends the time frame for taxpayers to file certain statements with the Hawaii State Energy Office. Applies to taxable years beginning after 12/31/2026. Effective 4/19/2042. (SD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

