
A BILL FOR AN ACT

RELATING TO INCOME TAX.

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

PART I

SECTION 1. Section 235-12.5, Hawaii Revised Statutes, is repealed.

"§235-12.5 Renewable energy technologies; income tax credit. (a) Each individual or corporate taxpayer that files an individual or corporate net income tax return for a taxable year may claim a tax credit under this section against the Hawaii state individual or corporate net income tax~~[+]~~; provided that the taxpayer's adjusted gross income does not exceed \$175,000 if filing as an individual, or \$350,000 if filing jointly. The tax credit may be claimed for every eligible renewable energy technology system that is installed and placed in service in the State by a taxpayer during the taxable year. The tax credit may be claimed as follows:

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



1 (A) For taxable years beginning after December 31,
2 2019, and except as provided in subparagraphs (B)
3 and (C), no tax credit may be claimed for a solar
4 energy system that is five megawatts in total
5 output capacity or larger and requires a power
6 purchase agreement approved by the public
7 utilities commission;

8 (B) A solar energy system that is five megawatts in
9 total output capacity or larger, installed and
10 placed in service pursuant to a power purchase
11 agreement approved or pending approval by a
12 decision and order by the public utilities
13 commission prior to December 31, 2019, shall
14 continue to receive a tax credit equal to
15 thirty-five per cent of the actual cost, or
16 \$500,000 per solar energy system that has a total
17 output capacity of at least one thousand
18 kilowatts per system of direct current, whichever
19 is less; and

20 (C) For each solar energy system integrated with a
21 pumped hydroelectric energy storage system, the



1 tax credit may be claimed for thirty-five per
2 cent of the actual cost or the cap amount
3 determined in subsection (b), whichever is less;
4 provided that applicable project approval filings
5 have been made to the public utilities commission
6 by December 31, 2021; or

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

10 provided further that multiple owners of a single system shall
11 be entitled to a single tax credit; and provided further that
12 the tax credit shall be apportioned between the owners in
13 proportion to their contribution to the cost of the system.

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

19 Distribution and share of credit shall be determined pursuant to
20 administrative rule.



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

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

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

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

11 (C) \$250,000 per system for commercial property;

12 (2) For all other solar energy systems, the cap amounts
13 shall be:

14 (A) \$5,000 per system for single-family residential
15 property; provided that if all or a portion of
16 the system is used to fulfill the substitute
17 renewable energy technology requirement pursuant
18 to section 196-6.5(a)(3), the credit shall be
19 reduced by thirty-five per cent of the actual
20 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) The total amount of tax credits allowed under this
17 section in any particular year shall be as follows:
18 (1) For calendar year 2027, \$40,000,000;
19 (2) For calendar year 2028, \$40,000,000;
20 (3) For calendar year 2029, \$40,000,000;
21 (4) For calendar year 2030, \$40,000,000; and



1 (5) Beginning January 1, 2031, \$0.

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

3 "Actual cost" means costs related to the renewable energy
4 technology systems under subsection (a), including accessories
5 and installation, but not including the cost of consumer
6 incentive premiums unrelated to the operation of the system or
7 offered with the sale of the system and costs for which another
8 credit is claimed under this chapter.

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

12 "Renewable energy technology system" means a new system
13 that captures and converts a renewable source of energy, such as
14 solar or wind energy, into:

15 (1) A usable source of thermal or mechanical energy;

16 (2) Electricity; or

17 (3) Fuel.

18 "Solar or wind energy system" means any identifiable
19 facility, equipment, apparatus, or the like that converts solar
20 or wind energy to useful thermal or electrical energy for



1 heating, cooling, or reducing the use of other types of energy
2 that are dependent upon fossil fuel for their generation.

3 ~~[(d)]~~ (e) For taxable years beginning after December 31,
4 2005, the dollar amount of any utility rebate shall be deducted
5 from the cost of the qualifying system and its installation
6 before applying the state tax credit.

7 (f) Every taxpayer, before March 1 of each year in which a
8 renewable energy technology system was installed and placed in
9 service in the previous taxable year, shall submit a written,
10 certified statement to the Hawaii state energy office of the
11 department of business, economic development, and tourism
12 identifying:

13 (1) The adjusted gross income of the taxpayer;

14 (2) The actual cost of each renewable energy technology
15 system installed and placed in service in the previous
16 taxable year; and

17 (3) The amount of tax credits claimed pursuant to this
18 section, if any, in the previous taxable year.

19 (g) The Hawaii state energy office of the department of
20 business, economic development, and tourism shall:



1 (1) Certify the eligibility of each system used to claim a
2 credit under this section;

3 (2) Certify that each taxpayer claiming a credit under
4 this section meets all requirements; and

5 (3) Issue a certificate to each taxpayer specifying the
6 amount of credit the taxpayer may claim.

7 The taxpayer shall file the certificate with the taxpayer's tax
8 return to the department of taxation. Notwithstanding the
9 authority of the Hawaii state energy office, the director of
10 taxation may audit and adjust the tax credit amount to conform
11 to the facts.

12 (h) If in any calendar year the annual amount of certified
13 credits reaches the amount specified in subsection (c) in the
14 aggregate, the specified amount shall be divided between all
15 taxpayers claiming a credit under this section for that year in
16 proportion to the amount of costs claimed by all taxpayers;
17 provided that:

18 (1) The Hawaii state energy office of the department of
19 business, economic development, and tourism shall
20 establish an annual application period ending on
21 March 1 of each year at 5:00 p.m. Hawaii Standard



1 Time; provided further that the office shall determine
2 the opening date of the application period by rule;
3 (2) By May 31 of each year the Hawaii state energy office
4 shall notify each applicant of the credit amount
5 certified; and
6 (3) If the total credits applied for by all taxpayers are
7 no more than the amount specified in subsection (c),
8 each taxpayer shall receive the full amount of the
9 credit applied for, subject to verification of actual
10 costs.

11 In no instance shall the Hawaii state energy office certify a
12 total amount of credits exceeding the amount specified in
13 subsection (c) per calendar year. The department of taxation
14 shall not allow the aggregate amount of credits claimed to
15 exceed that amount per calendar year.

16 ~~[(e)]~~ (i) 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)]~~ (j) 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 (k) or ~~[(h)]~~ (l). 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)]~~ (k) 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)]~~ (l) Notwithstanding subsection ~~[(g)]~~ (k), 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 or
16 less (or \$40,000 or less if filing a tax return as
17 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 who do not file a joint tax return shall
2 only be entitled to make this election to the extent that they
3 would have been entitled to make the election had they filed a
4 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)]~~ (m) 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)]~~ (n) 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) The number of renewable energy technology systems that have qualified for a tax credit during the calendar year by:

(A) Technology type; and

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

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

(A) Technology type; and

(B) Taxpayer type.

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

(p) This section shall not apply to taxable years beginning after December 31, 2030."

SECTION 2. Section 235-51, Hawaii Revised Statutes, is amended by amending subsection (a), (b), and (c) to read as follows:

"(a) There is hereby imposed on the taxable income of every:

(1) Taxpayer who files a joint return under section 235-93; and



1 (2) Surviving spouse,
2 a tax determined in accordance with the following table:
3 In the case of any taxable year beginning after December
4 31, 2017:

5 If the taxable income is:	The tax shall be:
6 Not over \$4,800	1.40% of taxable income
7 Over \$4,800 but	\$67.00 plus 3.20% of
8 not over \$9,600	excess over \$4,800
9 Over \$9,600 but	\$221.00 plus 5.50% of
10 not over \$19,200	excess over \$9,600
11 Over \$19,200 but	\$749.00 plus 6.40% of
12 not over \$28,800	excess over \$19,200
13 Over \$28,800 but	\$1,363.00 plus 6.80% of
14 not over \$38,400	excess over \$28,800
15 Over \$38,400 but	\$2,016.00 plus 7.20% of
16 not over \$48,000	excess over \$38,400
17 Over \$48,000 but	\$2,707.00 plus 7.60% of
18 not over \$72,000	excess over \$48,000
19 Over \$72,000 but	\$4,531.00 plus 7.90% of
20 not over \$96,000	excess over \$72,000
21 Over \$96,000 but	\$6,427.00 plus 8.25% of



1	not over \$300,000	excess over \$96,000
2	Over \$300,000 but	\$23,257.00 plus 9.00% of
3	not over \$350,000	excess over \$300,000
4	Over \$350,000 but	\$27,757.00 plus 10.00% of
5	not over \$400,000	excess over \$350,000
6	Over \$400,000	\$32,757.00 plus 11.00% of
7		excess over \$400,000.
8	In the case of any taxable year beginning after December	
9	31, 2024:	
10	If the taxable income is:	The tax shall be:
11	Not over \$19,200	1.40% of taxable income
12	Over \$19,200 but	\$269.00 plus 3.20% of
13	not over \$28,800	excess over \$19,200
14	Over \$28,800 but	\$576.00 plus 5.50% of
15	not over \$38,400	excess over \$28,800
16	Over \$38,400 but	\$1,104.00 plus 6.40% of
17	not over \$48,000	excess over \$38,400
18	Over \$48,000 but	\$1,718.00 plus 6.80% of
19	not over \$72,000	excess over \$48,000
20	Over \$72,000 but	\$3,350.00 plus 7.20% of
21	not over \$96,000	excess over \$72,000



1	Over \$96,000 but	\$5,078.00 plus 7.60% of
2	not over \$250,000	excess over \$96,000
3	Over \$250,000 but	\$16,782.00 plus 7.90% of
4	not over \$350,000	excess over \$250,000
5	Over \$350,000 but	\$24,682.00 plus 8.25% of
6	not over \$450,000	excess over \$350,000
7	Over \$450,000 but	\$32,932.00 plus 9.00% of
8	not over \$550,000	excess over \$450,000
9	Over \$550,000 but	\$41,932.00 plus 10.00% of
10	not over \$650,000	excess over \$550,000
11	Over \$650,000	\$51,932.00 plus 11.00% of
12		excess over \$650,000.

13 ~~[In the case of any taxable year beginning after December~~
14 ~~31, 2026:~~

15	If the taxable income is:	The tax shall be:
16	Not over \$28,800	1.40% of taxable income
17	Over \$28,800 but	\$403.00 plus 3.20% of
18	not over \$38,400	excess over \$28,800
19	Over \$38,400 but	\$710.00 plus 5.50% of
20	not over \$48,000	excess over \$38,400
21	Over \$48,000 but	\$1,238.00 plus 6.40% of



1	not over \$72,000	excess over \$48,000
2	Over \$72,000 but	\$2,774.00 plus 6.80% of
3	not over \$96,000	excess over \$72,000
4	Over \$96,000 but	\$4,406.00 plus 7.20% of
5	not over \$250,000	excess over \$96,000
6	Over \$250,000 but	\$15,494.00 plus 7.60% of
7	not over \$350,000	excess over \$250,000
8	Over \$350,000 but	\$23,094.00 plus 7.90% of
9	not over \$450,000	excess over \$350,000
10	Over \$450,000 but	\$30,994.00 plus 8.25% of
11	not over \$550,000	excess over \$450,000
12	Over \$550,000 but	\$39,244.00 plus 9.00% of
13	not over \$650,000	excess over \$550,000
14	Over \$650,000 but	\$48,244.00 plus 10.00% of
15	not over \$800,000	excess over \$650,000
16	Over \$800,000	\$63,244.00 plus 11.00% of
17		excess over \$800,000.
18	In the case of any taxable year beginning after December	
19	31, 2028:	
20	If the taxable income is:	The tax shall be:
21	Not over \$38,400	1.40% of taxable income



1	Over \$38,400 but	\$538.00 plus 3.20% of
2	not over \$48,000	excess over \$38,400
3	Over \$48,000 but	\$845.00 plus 5.50% of
4	not over \$72,000	excess over \$48,000
5	Over \$72,000 but	\$2,165.00 plus 6.40% of
6	not over \$96,000	excess over \$72,000
7	Over \$96,000 but	\$3,701.00 plus 6.80% of
8	not over \$250,000	excess over \$96,000
9	Over \$250,000 but	\$14,173.00 plus 7.20% of
10	not over \$350,000	excess over \$250,000
11	Over \$350,000 but	\$21,373.00 plus 7.60% of
12	not over \$450,000	excess over \$350,000
13	Over \$450,000 but	\$28,973.00 plus 7.90% of
14	not over \$550,000	excess over \$450,000
15	Over \$550,000 but	\$36,873.00 plus 8.25% of
16	not over \$650,000	excess over \$550,000
17	Over \$650,000 but	\$45,123.00 plus 9.00% of
18	not over \$800,000	excess over \$650,000
19	Over \$800,000 but	\$58,623.00 plus 10.00% of
20	not over \$950,000	excess over \$800,000



~~Over \$950,000 \$73,623.00 plus 11.00% of
excess over \$950,000.]~~

In the case of any taxable year beginning after December
31, 2026:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$28,800</u>	<u>1.40% of taxable income</u>
<u>Over \$28,800 but not over \$38,400</u>	<u>\$403.00 plus 2.50% of excess over \$28,800</u>
<u>Over \$38,400 but not over \$48,000</u>	<u>\$643.00 plus 5.00% of excess over \$38,400</u>
<u>Over \$48,000 but not over \$72,000</u>	<u>\$1,123.00 plus 6.40% of excess over \$48,000</u>
<u>Over \$72,000 but not over \$96,000</u>	<u>\$2,659.00 plus 6.80% of excess over \$72,000</u>
<u>Over \$96,000 but not over \$250,000</u>	<u>\$4,291.00 plus 7.20% of excess over \$96,000</u>
<u>Over \$250,000 but not over \$350,000</u>	<u>\$15,379.00 plus 7.60% of excess over \$250,000</u>
<u>Over \$350,000 but not over \$450,000</u>	<u>\$22,979.00 plus 8.25% of excess over \$350,000</u>
<u>Over \$450,000 but</u>	<u>\$31,229.00 plus 9.00% of</u>



1	<u>not over \$550,000</u>	<u>excess over \$450,000</u>
2	<u>Over \$550,000 but</u>	<u>\$40,229.00 plus 10.00% of</u>
3	<u>not over \$650,000</u>	<u>excess over \$550,000</u>
4	<u>Over \$650,000 but</u>	<u>\$50,229.00 plus 11.00% of</u>
5	<u>not over \$1,000,000</u>	<u>excess over \$650,000</u>
6	<u>Over \$1,000,000</u>	<u>\$88,729.00 plus 13.00% of</u>
7		<u>excess over \$1,000,000.</u>
8	<u>In the case of any taxable year beginning after December</u>	
9	<u>31, 2028:</u>	
10	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
11	<u>Not over \$38,400</u>	<u>1.40% of taxable income</u>
12	<u>Over \$38,400 but</u>	<u>\$538.00 plus 2.50% of</u>
13	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
14	<u>Over \$48,000 but</u>	<u>\$778.00 plus 5.00% of</u>
15	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
16	<u>Over \$72,000 but</u>	<u>\$1,978.00 plus 6.40% of</u>
17	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
18	<u>Over \$96,000 but</u>	<u>\$3,514.00 plus 6.80% of</u>
19	<u>not over \$250,000</u>	<u>excess over \$96,000</u>
20	<u>Over \$250,000 but</u>	<u>\$13,986.00 plus 7.20% of</u>
21	<u>not over \$350,000</u>	<u>excess over \$250,000</u>



1	<u>Over \$350,000 but</u>	<u>\$21,186.00 plus 8.25% of</u>
2	<u>not over \$450,000</u>	<u>excess over \$350,000</u>
3	<u>Over \$450,000 but</u>	<u>\$29,436.00 plus 9.00% of</u>
4	<u>not over \$550,000</u>	<u>excess over \$450,000</u>
5	<u>Over \$550,000 but</u>	<u>\$38,436.00 plus 10.00% of</u>
6	<u>not over \$650,000</u>	<u>excess over \$550,000</u>
7	<u>Over \$650,000 but</u>	<u>\$48,436.00 plus 11.00% of</u>
8	<u>not over \$1,000,000</u>	<u>excess over \$650,000</u>
9	<u>Over \$1,000,000</u>	<u>\$86,936.00 plus 13.00% of</u>
10		<u>excess over \$1,000,000.</u>

11 (b) There is hereby imposed on the taxable income of every
 12 head of a household a tax determined in accordance with the
 13 following table:

14 In the case of any taxable year beginning after December
 15 31, 2017:

16	If the taxable income is:	The tax shall be:
17	Not over \$3,600	1.40% of taxable income
18	Over \$3,600 but	\$50.00 plus 3.20% of
19	not over \$7,200	excess over \$3,600
20	Over \$7,200 but	\$166.00 plus 5.50% of
21	not over \$14,400	excess over \$7,200



1 Over \$14,400 but \$562.00 plus 6.40% of
2 not over \$21,600 excess over \$14,400
3 Over \$21,600 but \$1,022.00 plus 6.80% of
4 not over \$28,800 excess over \$21,600
5 Over \$28,800 but \$1,512.00 plus 7.20% of
6 not over \$36,000 excess over \$28,800
7 Over \$36,000 but \$2,030.00 plus 7.60% of
8 not over \$54,000 excess over \$36,000
9 Over \$54,000 but \$3,398.00 plus 7.90% of
10 not over \$72,000 excess over \$54,000
11 Over \$72,000 but \$4,820.00 plus 8.25% of
12 not over \$225,000 excess over \$72,000
13 Over \$225,000 but \$17,443.00 plus 9.00% of
14 not over \$262,500 excess over \$225,000
15 Over \$262,500 but \$20,818.00 plus 10.00% of
16 not over \$300,000 excess over \$262,500
17 Over \$300,000 \$24,568.00 plus 11.00% of
18 excess over \$300,000.
19 In the case of any taxable year beginning after December
20 31, 2024:



1	If the taxable income is:	The tax shall be:
2	Not over \$14,400	1.40% of taxable income
3	Over \$14,400 but	\$202.00 plus 3.20% of
4	not over \$21,600	excess over \$14,400
5	Over \$21,600 but	\$432.00 plus 5.50% of
6	not over \$28,800	excess over \$21,600
7	Over \$28,800 but	\$828.00 plus 6.40% of
8	not over \$36,000	excess over \$28,800
9	Over \$36,000 but	\$1,289.00 plus 6.80% of
10	not over \$54,000	excess over \$36,000
11	Over \$54,000 but	\$2,513.00 plus 7.20% of
12	not over \$72,000	excess over \$54,000
13	Over \$72,000 but	\$3,809.00 plus 7.60% of
14	not over \$187,500	excess over \$72,000
15	Over \$187,500 but	\$12,587.00 plus 7.90% of
16	not over \$262,500	excess over \$187,500
17	Over \$262,500 but	\$18,512.00 plus 8.25% of
18	not over \$337,500	excess over \$262,500
19	Over \$337,500 but	\$24,699.00 plus 9.00% of
20	not over \$412,500	excess over \$337,500
21	Over \$412,500 but	\$31,449.00 plus 10.00% of



1 not over \$487,500 excess over \$412,500

2 Over \$487,500 \$38,949.00 plus 11.00% of

3 excess over \$487,500.

4 ~~[In the case of any taxable year beginning after December~~

5 ~~31, 2026:~~

6 ~~If the taxable income is: The tax shall be:~~

7 ~~Not over \$21,600 1.40% of taxable income~~

8 ~~Over \$21,600 but \$302.00 plus 3.20% of~~

9 ~~not over \$28,800 excess over \$21,600~~

10 ~~Over \$28,800 but \$533.00 plus 5.50% of~~

11 ~~not over \$36,000 excess over \$28,800~~

12 ~~Over \$36,000 but \$929.00 plus 6.40% of~~

13 ~~not over \$54,000 excess over \$36,000~~

14 ~~Over \$54,000 but \$2,081.00 plus 6.80% of~~

15 ~~not over \$72,000 excess over \$54,000~~

16 ~~Over \$72,000 but \$3,305.00 plus 7.20% of~~

17 ~~not over \$187,500 excess over \$72,000~~

18 ~~Over \$187,500 but \$11,621.00 plus 7.60% of~~

19 ~~not over \$262,500 excess over \$187,500~~

20 ~~Over \$262,500 but \$17,321.00 plus 7.90% of~~

21 ~~not over \$337,500 excess over \$262,500~~



1	Over \$337,500 but	\$23,246.00 plus 8.25% of
2	not over \$412,500	excess over \$337,500
3	Over \$412,500 but	\$29,433.00 plus 9.00% of
4	not over \$487,500	excess over \$412,500
5	Over \$487,500 but	\$36,183.00 plus 10.00% of
6	not over \$600,000	excess over \$487,500
7	Over \$600,000	\$47,433.00 plus 11.00% of
8		excess over \$600,000.
9	In the case of any taxable year beginning after December	
10	31, 2028:	
11	If the taxable income is:	The tax shall be:
12	Not over \$28,800	1.40% of taxable income
13	Over \$28,800 but	\$403.00 plus 3.20% of
14	not over \$36,000	excess over \$28,800
15	Over \$36,000 but	\$634.00 plus 5.50% of
16	not over \$54,000	excess over \$36,000
17	Over \$54,000 but	\$1,624.00 plus 6.40% of
18	not over \$72,000	excess over \$54,000
19	Over \$72,000 but	\$2,776.00 plus 6.80% of
20	not over \$187,500	excess over \$72,000
21	Over \$187,500 but	\$10,630.00 plus 7.20% of



1	not over \$262,500	excess over \$187,500
2	Over \$262,500 but	\$16,030.00 plus 7.60% of
3	not over \$337,500	excess over \$262,500
4	Over \$337,500 but	\$21,730.00 plus 7.90% of
5	not over \$412,500	excess over \$337,500
6	Over \$412,500 but	\$27,655.00 plus 8.25% of
7	not over \$487,500	excess over \$412,500
8	Over \$487,500 but	\$33,842.00 plus 9.00% of
9	not over \$600,000	excess over \$487,500
10	Over \$600,000 but	\$43,967.00 plus 10.00% of
11	not over \$712,500	excess over \$600,000
12	Over \$712,500	\$55,217.00 plus 11.00% of
13		excess over \$712,500.]

14 In the case of any taxable year beginning after December
 15 31, 2026:

16	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
17	<u>Not over \$21,600</u>	<u>1.40% of taxable income</u>
18	<u>Over \$21,600 but</u>	<u>\$302.00 plus 2.50% of</u>
19	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
20	<u>Over \$28,800 but</u>	<u>\$482.00 plus 5.00% of</u>
21	<u>not over \$36,000</u>	<u>excess over \$28,800</u>



1 Over \$36,000 but \$842.00 plus 6.40% of
2 not over \$54,000 excess over \$36,000
3 Over \$54,000 but \$1,994.00 plus 6.80% of
4 not over \$72,000 excess over \$54,000
5 Over \$72,000 but \$3,218.00 plus 7.20% of
6 not over \$187,500 excess over \$72,000
7 Over \$187,500 but \$11,534.00 plus 7.60% of
8 not over \$262,500 excess over \$187,500
9 Over \$262,500 but \$17,234.00 plus 8.25% of
10 not over \$337,500 excess over \$262,500
11 Over \$337,500 but \$23,422.00 plus 9.00% of
12 not over \$412,500 excess over \$337,500
13 Over \$412,500 but \$30,172.00 plus 10.00% of
14 not over \$487,500 excess over \$412,500
15 Over \$487,500 but \$37,672.00 plus 11.00% of
16 not over \$750,000 excess over \$487,500
17 Over \$750,000 \$66,547.00 plus 13.00% of
18 excess over \$750,000.
19 In the case of any taxable year beginning after December
20 31, 2028:



1	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
2	<u>Not over \$28,800</u>	<u>1.40% of taxable income</u>
3	<u>Over \$28,800 but</u>	<u>\$403.00 plus 2.50% of</u>
4	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
5	<u>Over \$36,000 but</u>	<u>\$583.00 plus 5.00% of</u>
6	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
7	<u>Over \$54,000 but</u>	<u>\$1,483.00 plus 6.40% of</u>
8	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
9	<u>Over \$72,000 but</u>	<u>\$2,635.00 plus 6.80% of</u>
10	<u>not over \$187,500</u>	<u>excess over \$72,000</u>
11	<u>Over \$187,500 but</u>	<u>\$10,489.00 plus 7.20% of</u>
12	<u>not over \$262,500</u>	<u>excess over \$187,500</u>
13	<u>Over \$262,500 but</u>	<u>\$15,889.00 plus 8.25% of</u>
14	<u>not over \$337,500</u>	<u>excess over \$262,500</u>
15	<u>Over \$337,500 but</u>	<u>\$22,077.00 plus 9.00% of</u>
16	<u>not over \$412,500</u>	<u>excess over \$337,500</u>
17	<u>Over \$412,500 but</u>	<u>\$28,827.00 plus 10.00% of</u>
18	<u>not over \$487,500</u>	<u>excess over \$412,500</u>
19	<u>Over \$487,500 but</u>	<u>\$36,327.00 plus 11.00% of</u>
20	<u>not over \$750,000</u>	<u>excess over \$487,500</u>
21	<u>Over \$750,000</u>	<u>\$65,202.00 plus 13.00% of</u>



1 excess over \$750,000.

2 (c) There is hereby imposed on the taxable income of (1)
3 every unmarried individual (other than a surviving spouse, or
4 the head of a household) and (2) on the taxable income of every
5 married individual who does not make a single return jointly
6 with the individual's spouse under section 235-93 a tax
7 determined in accordance with the following table:

8 In the case of any taxable year beginning after December
9 31, 2017:

10	If the taxable income is:	The tax shall be:
11	Not over \$2,400	1.40% of taxable income
12	Over \$2,400 but	\$34.00 plus 3.20% of
13	not over \$4,800	excess over \$2,400
14	Over \$4,800 but	\$110.00 plus 5.50% of
15	not over \$9,600	excess over \$4,800
16	Over \$9,600 but	\$374.00 plus 6.40% of
17	not over \$14,400	excess over \$9,600
18	Over \$14,400 but	\$682.00 plus 6.80% of
19	not over \$19,200	excess over \$14,400
20	Over \$19,200 but	\$1,008.00 plus 7.20% of
21	not over \$24,000	excess over \$19,200



1	Over \$24,000 but	\$1,354.00 plus 7.60% of
2	not over \$36,000	excess over \$24,000
3	Over \$36,000 but	\$2,266.00 plus 7.90% of
4	not over \$48,000	excess over \$36,000
5	Over \$48,000 but	\$3,214.00 plus 8.25% of
6	not over \$150,000	excess over \$48,000
7	Over \$150,000 but	\$11,629.00 plus 9.00% of
8	not over \$175,000	excess over \$150,000
9	Over \$175,000 but	\$13,879.00 plus 10.00% of
10	not over \$200,000	excess over \$175,000
11	Over \$200,000	\$16,379.00 plus 11.00% of
12		excess over \$200,000.

13 In the case of any taxable year beginning after December
14 31, 2024:

15	If the taxable income is:	The tax shall be:
16	Not over \$9,600	1.40% of taxable income
17	Over \$9,600 but	\$134.00 plus 3.20% of
18	not over \$14,400	excess over \$9,600
19	Over \$14,400 but	\$288.00 plus 5.50% of
20	not over \$19,200	excess over \$14,400
21	Over \$19,200 but	\$552.00 plus 6.40% of



1	not over \$24,000	excess over \$19,200
2	Over \$24,000 but	\$859.00 plus 6.80% of
3	not over \$36,000	excess over \$24,000
4	Over \$36,000 but	\$1,675.00 plus 7.20% of
5	not over \$48,000	excess over \$36,000
6	Over \$48,000 but	\$2,539.00 plus 7.60% of
7	not over \$125,000	excess over \$48,000
8	Over \$125,000 but	\$8,391.00 plus 7.90% of
9	not over \$175,000	excess over \$125,000
10	Over \$175,000 but	\$12,341.00 plus 8.25% of
11	not over \$225,000	excess over \$175,000
12	Over \$225,000 but	\$16,466.00 plus 9.00% of
13	not over \$275,000	excess over \$225,000
14	Over \$275,000 but	\$20,966.00 plus 10.00% of
15	not over \$325,000	excess over \$275,000
16	Over \$325,000	\$25,966.00 plus 11.00% of
17		excess over \$325,000.

18 ~~[In the case of any taxable year beginning after December~~
 19 ~~31, 2026:~~

20	If the taxable income is:	The tax shall be:
21	Not over \$14,400	1.40% of taxable income



1	Over \$14,400 but	\$202.00 plus 3.20% of
2	not over \$19,200	excess over \$14,400
3	Over \$19,200 but	\$355.00 plus 5.50% of
4	not over \$24,000	excess over \$19,200
5	Over \$24,000 but	\$619.00 plus 6.40% of
6	not over \$36,000	excess over \$24,000
7	Over \$36,000 but	\$1,387.00 plus 6.80% of
8	not over \$48,000	excess over \$36,000
9	Over \$48,000 but	\$2,203.00 plus 7.20% of
10	not over \$125,000	excess over \$48,000
11	Over \$125,000 but	\$7,747.00 plus 7.60% of
12	not over \$175,000	excess over \$125,000
13	Over \$175,000 but	\$11,547.00 plus 7.90% of
14	not over \$225,000	excess over \$175,000
15	Over \$225,000 but	\$15,497.00 plus 8.25% of
16	not over \$275,000	excess over \$225,000
17	Over \$275,000 but	\$19,622.00 plus 9.00% of
18	not over \$325,000	excess over \$275,000
19	Over \$325,000 but	\$24,122.00 plus 10.00% of
20	not over \$400,000	excess over \$325,000



~~Over \$400,000~~

~~\$31,622.00 plus 11.00% of~~

~~excess over \$400,000.~~

~~In the case of any taxable year beginning after December~~

~~31, 2028:~~

~~If the taxable income is:~~

~~The tax shall be:~~

~~Not over \$19,200~~

~~1.40% of taxable income~~

~~Over \$19,200 but~~

~~\$269.00 plus 3.20% of~~

~~not over \$24,000~~

~~excess over \$19,200~~

~~Over \$24,000 but~~

~~\$422.00 plus 5.50% of~~

~~not over \$36,000~~

~~excess over \$24,000~~

~~Over \$36,000 but~~

~~\$1,082.00 plus 6.40% of~~

~~not over \$48,000~~

~~excess over \$36,000~~

~~Over \$48,000 but~~

~~\$1,850.00 plus 6.80% of~~

~~not over \$125,000~~

~~excess over \$48,000~~

~~Over \$125,000 but~~

~~\$7,086.00 plus 7.20% of~~

~~not over \$175,000~~

~~excess over \$125,000~~

~~Over \$175,000 but~~

~~\$10,686.00 plus 7.60% of~~

~~not over \$225,000~~

~~excess over \$175,000~~

~~Over \$225,000 but~~

~~\$14,486.00 plus 7.90% of~~

~~not over \$275,000~~

~~excess over \$225,000~~

~~Over \$275,000 but~~

~~\$18,436.00 plus 8.25% of~~

1	not over \$325,000	excess over \$275,000
2	Over \$325,000 but	\$22,561.00 plus 9.00% of
3	not over \$400,000	excess over \$325,000
4	Over \$400,000 but	\$29,311.00 plus 10.00% of
5	not over \$475,000	excess over \$400,000
6	Over \$475,000	\$36,811.00 plus 11.00% of
7		excess over \$475,000.]
8	<u>In the case of any taxable year beginning after December</u>	
9	<u>31, 2026:</u>	
10	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
11	<u>Not over \$14,400</u>	<u>1.40% of taxable income</u>
12	<u>Over \$14,400 but</u>	<u>\$202.00 plus 2.50% of</u>
13	<u>not over \$19,200</u>	<u>excess over \$14,400</u>
14	<u>Over \$19,200 but</u>	<u>\$322.00 plus 5.00% of</u>
15	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
16	<u>Over \$24,000 but</u>	<u>\$562.00 plus 6.40% of</u>
17	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
18	<u>Over \$36,000 but</u>	<u>\$1,330.00 plus 6.80% of</u>
19	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
20	<u>Over \$48,000 but</u>	<u>\$2,146.00 plus 7.20% of</u>
21	<u>not over \$125,000</u>	<u>excess over \$48,000</u>



1	<u>Over \$125,000 but</u>	<u>\$7,690.00 plus 7.60% of</u>
2	<u>not over \$175,000</u>	<u>excess over \$125,000</u>
3	<u>Over \$175,000 but</u>	<u>\$11,490.00 plus 8.25% of</u>
4	<u>not over \$225,000</u>	<u>excess over \$175,000</u>
5	<u>Over \$225,000 but</u>	<u>\$15,615.00 plus 9.00% of</u>
6	<u>not over \$275,000</u>	<u>excess over \$225,000</u>
7	<u>Over \$275,000 but</u>	<u>\$20,115.00 plus 10.00% of</u>
8	<u>not over \$325,000</u>	<u>excess over \$275,000</u>
9	<u>Over \$325,000 but</u>	<u>\$25,115.00 plus 11.00% of</u>
10	<u>not over \$500,000</u>	<u>excess over \$325,000</u>
11	<u>Over \$500,000</u>	<u>\$44,365.00 plus 13.00% of</u>
12		<u>excess over \$500,000.</u>

13 In the case of any taxable year beginning after December
 14 31, 2028:

15	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
16	<u>Not over \$19,200</u>	<u>1.40% of taxable income</u>
17	<u>Over \$19,200 but</u>	<u>\$269.00 plus 2.50% of</u>
18	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
19	<u>Over \$24,000 but</u>	<u>\$389.00 plus 5.00% of</u>
20	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
21	<u>Over \$36,000 but</u>	<u>\$989.00 plus 6.40% of</u>



1	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
2	<u>Over \$48,000 but</u>	<u>\$1,757.00 plus 6.80% of</u>
3	<u>not over \$125,000</u>	<u>excess over \$48,000</u>
4	<u>Over \$125,000 but</u>	<u>\$6,993.00 plus 7.20% of</u>
5	<u>not over \$175,000</u>	<u>excess over \$125,000</u>
6	<u>Over \$175,000 but</u>	<u>\$10,593.00 plus 8.25% of</u>
7	<u>not over \$225,000</u>	<u>excess over \$175,000</u>
8	<u>Over \$225,000 but</u>	<u>\$14,718.00 plus 9.00% of</u>
9	<u>not over \$275,000</u>	<u>excess over \$225,000</u>
10	<u>Over \$275,000 but</u>	<u>\$19,218.00 plus 10.00% of</u>
11	<u>not over \$325,000</u>	<u>excess over \$275,000</u>
12	<u>Over \$325,000 but</u>	<u>\$24,218.00 plus 11.00% of</u>
13	<u>not over \$500,000</u>	<u>excess over \$325,000</u>
14	<u>Over \$500,000</u>	<u>\$43,468.00 plus 13.00% of</u>
15		<u>excess over \$500,000."</u>

16 SECTION 3. Section 235-110.7, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "**§235-110.7 Capital goods excise tax credit.** (a) There
19 shall be allowed to each taxpayer subject to the tax imposed by
20 this chapter a capital goods excise tax credit, which shall be
21 deductible from the taxpayer's net income tax liability, if any,



1 imposed by this chapter for the taxable year in which the credit
2 is properly claimed.

3 The amount of the tax credit shall be four per cent of the
4 cost of the eligible depreciable tangible personal property used
5 by the taxpayer in a trade or business and placed in service
6 within Hawaii after December 31, 2009.

7 In the case of a partnership, S corporation, estate, or
8 trust, the tax credit allowable is for eligible depreciable
9 tangible personal property that is placed in service by the
10 entity. The cost upon which the tax credit is computed shall be
11 determined at the entity level. Distribution and share of
12 credit shall be determined by rules.

13 In the case of eligible depreciable tangible personal
14 property for which a credit for sales or use taxes paid to
15 another state is allowable under section 238-3(i), the amount of
16 the tax credit allowed under this section shall not exceed the
17 amount of use tax actually paid under chapter 238 relating to
18 the tangible personal property.

19 If a deduction is taken under section 179 (with respect to
20 election to expense certain depreciable business assets) of the
21 Internal Revenue Code of 1954, as amended, no tax credit shall



1 be allowed for that portion of the cost of property for which
2 the deduction was taken.

3 (b) If the capital goods excise tax credit allowed under
4 subsection (a) exceeds the taxpayer's net income tax liability,
5 the excess of credit over liability shall be refunded to the
6 taxpayer; provided that no refunds or payment on account of the
7 tax credit allowed by this section shall be made for amounts
8 less than \$1.

9 All claims for tax credits under this section, including
10 any amended claims, must be filed on or before the end of the
11 twelfth month following the close of the taxable year for which
12 the credits may be claimed. Failure to comply with the
13 foregoing provision shall constitute a waiver of the right to
14 claim the credit.

15 (c) Application for the capital goods excise tax credit
16 shall be upon forms provided by the department of taxation.

17 (d) Sections 47 (with respect to dispositions of section
18 38 property and the recapture percentages) of the Internal
19 Revenue Code of 1954, as amended, as of December 31, 1984, and
20 280F as operative for this chapter (with respect to limitation
21 on investment tax credit and depreciation for luxury



1 automobiles; limitation where certain property used for personal
2 purposes) of the Internal Revenue Code of 1954, as amended,
3 shall be operative for purposes of this section.

4 (e) As used in this section, the definition of section 38
5 property (with respect to investment in depreciable tangible
6 personal property) as defined by section 48(a)(1)(A), (a)(1)(B),
7 (a)(3), (a)(4), (a)(7), (a)(8), (a)(10)(A), (b), (c), (f), (l),
8 (m), and (s) of the Internal Revenue Code of 1954, as amended as
9 of December 31, 1984, is operative for the purposes of this
10 section only.

11 (f) This section shall not apply to taxable years
12 beginning after December 31, 2027.

13 ~~[(f)]~~ (g) As used in this section:

14 "Cost" means the:

15 (1) Actual invoice price of the tangible personal
16 property; or

17 (2) Basis from which depreciation is taken under section
18 167 (with respect to depreciation) or from which a
19 deduction may be taken under section 168 (with respect
20 to accelerated cost recovery system) of the Internal
21 Revenue Code of 1954, as amended,



1 whichever is less.

2 "Eligible depreciable tangible personal property" is
3 section 38 property as defined by the operative provisions of
4 section 48 and having a depreciable life under section 167 or
5 for which a deduction may be taken under section 168 of the
6 Internal Revenue Code of 1954, as amended.

7 "Placed in service" means the earliest of the following
8 taxable years:

9 (1) The taxable year in which, under the:

10 (A) Taxpayer's depreciation practice, the period for
11 depreciation; or

12 (B) Accelerated cost recovery system, a claim for
13 recovery allowances,

14 with respect to the property begins; or

15 (2) The taxable year in which the property is placed in a
16 condition or state of readiness and availability for a
17 specifically assigned function.

18 "Purchase" means an acquisition of property.

19 "Tangible personal property" means tangible personal
20 property that is placed in service within Hawaii after December
21 31, 1987, and the purchase or importation of which resulted in a



1 transaction that was subject to the imposition and payment of
2 tax at the rate of four per cent under chapter 237 or 238.
3 "Tangible personal property" does not include tangible personal
4 property that is an integral part of a building or structure or
5 tangible personal property used in a foreign-trade zone, as
6 defined under chapter 212."

7 SECTION 4. Section 235-110.32, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "~~{}~~\$235-110.32~~{}~~ **Renewable fuels production tax credit.**

10 (a) Each year during the credit period, there shall be allowed
11 to each taxpayer subject to the taxes imposed by this chapter a
12 renewable fuels production tax credit that shall be applied to
13 the taxpayer's net income tax liability, if any, imposed by this
14 chapter for the taxable year in which the credit is properly
15 claimed.

16 For each taxpayer producing renewable fuels, the annual
17 dollar amount of the renewable fuels production tax credit
18 during the ten-year credit period shall be equal to 20 cents per
19 seventy-six thousand British thermal units of renewable fuels
20 using the lower heating value sold for distribution in the
21 State; provided that the taxpayer's production of renewable



1 fuels is not less than two billion five hundred million British
2 thermal units of renewable fuels per calendar year; provided
3 further that the amount of the tax credit claimed under this
4 section by a taxpayer shall not exceed \$3,500,000 per taxable
5 year; provided further that the tax credit shall only be claimed
6 for fuels with lifecycle emissions below that of fossil fuels.
7 No other tax credit may be claimed under this chapter for the
8 costs incurred to produce the renewable fuels that are used to
9 properly claim a tax credit under this section for the taxable
10 year.

11 Each taxpayer, together with all of its related entities as
12 determined under section 267(b) of the Internal Revenue Code and
13 all business entities under common control, as determined under
14 sections 414(b), 414(c), and 1563(a) of the Internal Revenue
15 Code, shall not be eligible for more than a single ten-year
16 credit period.

17 (b) In the case of a partnership, S corporation, estate,
18 or trust, distribution and share of the renewable fuels
19 production tax credit shall be determined pursuant to section
20 704(b) (with respect to a partner's distributive share) of the
21 Internal Revenue Code of 1986, as amended. For a fiscal year



1 taxpayer, the taxpayer shall report the credit in the taxable
2 year in which the calendar year end is included.

3 (c) No later than thirty days following the close of the
4 calendar year, every taxpayer claiming a credit under this
5 section shall complete and file an independent, third-party
6 certified statement, at the taxpayer's sole expense, with and in
7 the form prescribed by the Hawaii state energy office, providing
8 the following information:

9 (1) The type, quantity, and British thermal unit value,
10 using the lower heating value, of each qualified fuel,
11 broken down by the type of fuel, produced and sold
12 during the previous calendar year;

13 (2) The feedstock used for each type of qualified fuel;

14 (3) The proposed total amount of credit to which the
15 taxpayer is entitled for each calendar year and the
16 cumulative amount of the tax credit the taxpayer
17 received during the credit period;

18 (4) The number of full-time and number of part-time
19 employees of the facility and those employees' states
20 of residency, totaled per state;



1 (5) The number and location of all renewable fuel
2 production facilities within and outside of the State;
3 and

4 (6) The lifecycle greenhouse gas emissions per British
5 thermal units for each type of qualified fuel
6 produced.

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

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

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

17 (3) Provide the taxpayer with a determination of whether
18 the lifecycle greenhouse gas emissions for each type
19 of qualified fuel produced is lower than that of
20 fossil fuels.



1 (e) The taxpayer shall file the certificate issued under
2 subsection (d) with the taxpayer's tax return with the
3 department of taxation. The director of taxation may audit and
4 adjust the certification to conform to the facts.

5 (f) The total amount of tax credits allowed under this
6 section shall not exceed \$20,000,000 for all eligible taxpayers
7 in any calendar year. In the event that the credit claims under
8 this section exceed \$20,000,000 for all eligible taxpayers in
9 any given calendar year, the \$20,000,000 shall be divided
10 between all eligible taxpayers for that year in proportion to
11 the total amount of renewable fuels produced by all eligible
12 taxpayers. Upon reaching \$20,000,000 in the aggregate, the
13 Hawaii state energy office shall immediately discontinue issuing
14 certificates and notify the department of taxation. In no
15 instance shall the total dollar amount of certificates issued
16 exceed \$20,000,000 per calendar year.

17 (g) Notwithstanding any other law to the contrary, the
18 information collected and compiled by the Hawaii state energy
19 office under subsections (c) and (d) for the purposes of the
20 renewable fuels production tax credit shall be available for
21 public inspection and dissemination, subject to chapter 92F.



1 (h) If the credit under this section exceeds the
2 taxpayer's net income tax liability, the excess of the credit
3 over liability may be used as a credit against the taxpayer's
4 net income tax liability in subsequent years until exhausted,
5 unless otherwise elected by the taxpayer pursuant to subsections
6 (i) or (j). All claims for a credit under this section shall be
7 properly filed on or before the end of the twelfth month
8 following the close of the taxable year for which the credit may
9 be claimed. Failure to comply with the foregoing provision or
10 to provide the certified statement required under subsection (c)
11 shall constitute a waiver of the right to claim the credit.

12 (i) A taxpayer may elect to reduce the eligible credit
13 amount by thirty per cent and if this reduced amount exceeds the
14 amount of income tax payment due from the taxpayer, the excess
15 of the credit amount over payments due shall be refunded to the
16 taxpayer; provided that tax credit amounts properly claimed by a
17 taxpayer who has no income tax liability shall be paid to the
18 taxpayer; provided further that no refund on account of the tax
19 credit allowed by this section shall be made for amounts less
20 than \$1.



1 The election required by this subsection shall be made in a
2 manner prescribed by the director on the taxpayer's return for
3 the taxable year in which the credit is claimed. An election
4 once made is irrevocable.

5 (j) Notwithstanding subsection (i), an individual taxpayer
6 may elect to have any excess of the credit over payments due
7 refunded to the taxpayer, if:

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

10 (2) The taxpayer's adjusted gross income is \$20,000 or
11 less (or \$40,000 or less if filing a tax return as
12 married filing jointly);

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

17 A married couple who does not file a joint tax return shall
18 only be entitled to make this election to the extent that they
19 would have been entitled to make the election had they filed a
20 joint tax return.



1 The election required by this subsection shall be made in a
2 manner prescribed by the director on the taxpayer's return for
3 the taxable year in which the credit is claimed. An election
4 once made is irrevocable.

5 (k) Before the production of any renewable fuels for the
6 calendar year, the taxpayer shall provide written notice of the
7 taxpayer's intention to begin production of renewable fuels.
8 The written notice shall be provided to the department of
9 taxation and the Hawaii state energy office and shall include
10 information on the taxpayer, facility location, facility
11 production capacity, anticipated production start date, and the
12 taxpayer's contact information. Notwithstanding any other law
13 to the contrary, the written notice described in this
14 subsection, including taxpayer and facility information, shall
15 be available for public inspection and dissemination, subject to
16 chapter 92F.

17 (1) The taxpayer shall provide written notice to the
18 director of taxation and the chief energy officer of the Hawaii
19 state energy office within thirty days following the start of
20 production. The notice shall include the production start date
21 and expected renewable fuels production for the next twelve



1 months. Notwithstanding any other law to the contrary, the
2 written notice described in this subsection shall be available
3 for public inspection and dissemination, subject to chapter 92F.

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 location of renewable fuels production
10 facilities in the State and outside the State that
11 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 (n) The director of taxation:

18 (1) Shall prepare any forms that may be necessary to claim
19 a tax credit under this section;



1 (2) May require the taxpayer to furnish reasonable
2 information to ascertain the validity of the claim for
3 the tax credit made under this section; and

4 (3) May adopt rules pursuant to chapter 91 necessary to
5 effectuate the purposes of this section.

6 (o) This section shall not apply to taxable years
7 beginning after December 31, 2028.

8 [~~(o)~~] (p) As used in this section:

9 "Credit period" means a maximum period of ten consecutive
10 years, beginning from the first taxable year in which a taxpayer
11 begins renewable fuels production at a level of at least two
12 billion five-hundred million British thermal units of renewable
13 fuels per calendar year.

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

16 "Renewable feedstocks" means:

17 (1) Biomass crops and other renewable organic material,
18 including but not limited to logs, wood chips, wood
19 pellets, and wood bark;

20 (2) Agricultural residue;



- 1 (3) Oil crops, including but not limited to algae, canola,
2 jatropha, palm, soybean, and sunflower;
- 3 (4) Sugar and starch crops, including but not limited to
4 sugar cane and cassava;
- 5 (5) Other agricultural crops;
- 6 (6) Grease and waste cooking oil;
- 7 (7) Food wastes;
- 8 (8) Municipal solid wastes and industrial wastes;
- 9 (9) Water, including wastewater; and
- 10 (10) Animal residues and wastes,
11 that can be used to generate energy.
- 12 "Renewable fuels" means fuels produced from renewable
13 feedstocks; provided that the fuel:
- 14 (1) Is sold as a fuel in the State; and
- 15 (2) Meets the relevant ASTM International specifications
16 or other industry specifications for the particular
17 fuel, including but not limited to:
- 18 (A) Methanol, ethanol, or other alcohols;
- 19 (B) Hydrogen;
- 20 (C) Biodiesel or renewable diesel;
- 21 (D) Biogas;



(E) Other biofuels;

(F) Renewable jet fuel or renewable gasoline; or

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

PART II

SECTION 5. Section 235-110.9, Hawaii Revised Statutes, is repealed.

~~["§235-110.9 High technology business investment tax credit. (a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter a high technology business investment tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the investment was made and the following four years provided the credit is properly claimed. The tax credit shall be as follows:~~

~~(1) In the year the investment was made, thirty-five per cent;~~

~~(2) In the first year following the year in which the investment was made, twenty-five per cent;~~

~~(3) In the second year following the investment, twenty per cent;~~



~~(4) In the third year following the investment, ten per cent, and~~

~~(5) In the fourth year following the investment, ten per cent,~~

~~of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit in the year the investment was made, \$700,000; in the first year following the year in which the investment was made, \$500,000; in the second year following the year in which the investment was made, \$400,000; in the third year following the year in which the investment was made, \$200,000; and in the fourth year following the year in which the investment was made, \$200,000.~~

~~(b) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. For the purpose of this section, "net income tax liability" means net income tax liability reduced by all other credits allowed under this chapter.~~

~~(c) If the tax credit under this section exceeds the taxpayer's income tax liability for any of the five years that the credit is taken, the excess of the tax credit over liability may be used as a credit against the taxpayer's income tax~~



~~liability in subsequent years until exhausted. Every claim, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.~~

~~(d) If at the close of any taxable year in the five year period in subsection (a):~~

~~(1) The business no longer qualifies as a qualified high technology business;~~

~~(2) The business or an interest in the business has been sold by the taxpayer investing in the qualified high technology business; or~~

~~(3) The taxpayer has withdrawn the taxpayer's investment wholly or partially from the qualified high technology business;~~

~~the credit claimed under this section shall be recaptured. The recapture shall be equal to ten per cent of the amount of the total tax credit claimed under this section in the preceding two taxable years. The amount of the credit recaptured shall apply only to the investment in the particular qualified high~~



~~1 technology business that meets the requirements of paragraph~~
~~2 (1), (2), or (3). The recapture provisions of this subsection~~
~~3 shall not apply to a tax credit claimed for a qualified high~~
~~4 technology business that does not fall within the provisions of~~
~~5 paragraph (1), (2), or (3). The amount of the recaptured tax~~
~~6 credit determined under this subsection shall be added to the~~
~~7 taxpayer's tax liability for the taxable year in which the~~
~~8 recapture occurs under this subsection.~~

~~9 (e) Every taxpayer, before March 31 of each year in which~~
~~10 an investment in a qualified high technology business was made~~
~~11 in the previous taxable year, shall submit a written, certified~~
~~12 statement to the director of taxation identifying:~~

~~13 (1) Qualified investments, if any, expended in the~~
~~14 previous taxable year; and~~

~~15 (2) The amount of tax credits claimed pursuant to this~~
~~16 section, if any, in the previous taxable year.~~

~~17 (f) The department shall:~~

~~18 (1) Maintain records of the names and addresses of the~~
~~19 taxpayers claiming the credits under this section and~~
~~20 the total amount of the qualified investment costs~~
~~21 upon which the tax credit is based;~~



~~(2) Verify the nature and amount of the qualifying
investments;~~

~~(3) Total all qualifying and cumulative investments that
the department certifies; and~~

~~(4) Certify the amount of the tax credit for each taxable
year and cumulative amount of the tax credit.~~

~~Upon each determination made under this subsection, the
department shall issue a certificate to the taxpayer verifying
information submitted to the department, including qualifying
investment amounts, the credit amount certified for each taxable
year, and the cumulative amount of the tax credit during the
credit period. The taxpayer shall file the certificate with the
taxpayer's tax return with the department.~~

~~The director of taxation may assess and collect a fee to
offset the costs of certifying tax credits claims under this
section. All fees collected under this section shall be
deposited into the tax administration special fund established
under section 235-20.5.~~

~~(g) As used in this section:~~



1 ~~"Investment tax credit allocation ratio" means, with~~
2 ~~respect to a taxpayer that has made an investment in a qualified~~
3 ~~high technology business, the ratio of:~~

4 ~~(1) The amount of the credit under this section that is,~~
5 ~~or is to be, received by or allocated to the taxpayer~~
6 ~~over the life of the investment, as a result of the~~
7 ~~investment; to~~

8 ~~(2) The amount of the investment in the qualified high~~
9 ~~technology business.~~

10 ~~"Qualified high technology business" means a business,~~
11 ~~employing or owning capital or property, or maintaining an~~
12 ~~office, in this State, provided that:~~

13 ~~(1) More than fifty per cent of its total business~~
14 ~~activities are qualified research; and provided~~
15 ~~further that the business conducts more than~~
16 ~~seventy-five per cent of its qualified research in~~
17 ~~this State; or~~

18 ~~(2) More than seventy-five per cent of its gross income is~~
19 ~~derived from qualified research; and provided further~~
20 ~~that this income is received from:~~



1 ~~(A) Products sold from, manufactured in, or produced~~
2 ~~in this State; or~~

3 ~~(B) Services performed in this State.~~

4 ~~"Qualified research" means the same as defined in section~~
5 ~~235-7.3.~~

6 ~~(h) Common law principles, including the doctrine of~~
7 ~~economic substance and business purpose, shall apply to any~~
8 ~~investment. There exists a presumption that a transaction~~
9 ~~satisfies the doctrine of economic substance and business~~
10 ~~purpose to the extent that the special allocation of the high~~
11 ~~technology business tax credit has an investment tax credit~~
12 ~~ratio of 1.5 or less of credit for every dollar invested.~~

13 ~~Transactions for which an investment tax credit allocation~~
14 ~~ratio greater than 1.5 but not more than 2.0 of credit for every~~
15 ~~dollar invested and claimed may be reviewed by the department~~
16 ~~for applicable doctrines of economic substance and business~~
17 ~~purpose.~~

18 ~~Businesses claiming a tax credit for transactions with~~
19 ~~investment tax credit allocation ratios greater than 2.0 of~~
20 ~~credit for every dollar invested shall substantiate economic~~
21 ~~merit and business purpose consistent with this section.~~



~~(i) For investments made on or after May 1, 2009, notwithstanding any other law to the contrary, no allocations, special or otherwise, of credits under this section may exceed the amount of the investment made by the taxpayer ultimately claiming this credit; and investment tax credit allocation ratios greater than 1.0 of credit for every dollar invested shall not be allowed. In addition, the credit shall be allowed only in accordance with subsection (a).~~

~~(j) This section shall not apply to taxable years beginning after December 31, 2010."~~

SECTION 6. Section 235-110.51, Hawaii Revised Statutes, is repealed.

~~["**S235-110.51 Technology infrastructure renovation tax credit.** (a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter, an income tax credit which shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.~~

~~(b) The amount of the credit shall be four per cent of the renovation costs incurred during the taxable year for each commercial building located in Hawaii.~~



~~(c) In the case of a partnership, S corporation, estate, trust, or any developer of a commercial building, the tax credit allowable is for renovation costs incurred by the entity for the taxable year. The cost upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined pursuant to section 235-110.7(a).~~

~~(d) If a deduction is taken under section 179 (with respect to election to expense depreciable business assets) of the Internal Revenue Code, no tax credit shall be allowed for that portion of the renovation cost for which the deduction is taken.~~

~~(e) The basis of eligible property for depreciation or accelerated cost recovery system purposes for state income taxes shall be reduced by the amount of credit allowable and claimed. In the alternative, the taxpayer shall treat the amount of the credit allowable and claimed as a taxable income item for the taxable year in which it is properly recognized under the method of accounting used to compute taxable income.~~

~~(f) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year.~~



~~(g) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of credit over liability may be carried forward until exhausted.~~

~~(h) The tax credit allowed under this section shall not be available for taxable years beginning after December 31, 2010.~~

~~(i) As used in this section:~~

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

~~"Renovation costs" means costs incurred after December 31, 2000, to plan, design, install, construct, and purchase technology enabled infrastructure equipment to provide a commercial building with technology enabled infrastructure.~~

~~"Technology enabled infrastructure" means:~~

~~(1) High speed telecommunications systems that provide Internet access, direct satellite communications access, and videoconferencing facilities;~~

~~(2) Physical security systems that identify and verify valid entry to secure spaces, detect invalid entry or entry attempts, and monitor activity in these spaces;~~



~~(3) Environmental systems to include heating, ventilation, air conditioning, fire detection and suppression, and other life safety systems; and~~

~~(4) Backup and emergency electric power systems.~~

~~(j) No taxpayer that claims a credit under this section shall claim any other credit under this chapter."~~

SECTION 7. Act 261, Session Laws of Hawaii 2019, as amended by Act 139, Session Laws of Hawaii 2024, is amended by amending section 5 to read as follows:

"SECTION 5. This Act shall take effect upon its approval;
provided that:

(1) Section 2 shall apply to taxable years beginning after December 31, 2019; and

(2) Part II shall take effect on ~~[January 1, 2030.]~~
January 1, 2029."

PART III

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.



1 SECTION 9. This Act shall take effect upon its approval;
2 provided that:
3 (1) Part I shall apply to taxable years beginning after
4 December 31, 2026;
5 (2) Section 6 shall take effect on January 1, 2028; and
6 (3) Section 5 shall take effect on January 1, 2029.



Report Title:

Income Tax; Income Tax Brackets; Income Tax Rates; Renewable Energy Technologies Income Tax Credit; Capital Goods Excise Tax Credit; High Technology Business Investment Tax Credit; Renewable Fuels Production Tax Credit; Technology Infrastructure Renovation Tax Credit; Tax Credit for Research Activities; Repeal

Description:

PART I: Repeals certain future adjustments to income tax brackets. Changes income tax rates. Amends the Renewable Energy Technologies Income Tax Credit by adding an aggregate cap amount, setting income thresholds, adding a certification requirement, and adding a sunset date. Adds sunset dates to the Capital Goods Excise Tax Credit and Renewable Fuels Production Tax Credit. PART II: Beginning 1/1/2028, repeals the Technology Infrastructure Renovation Tax Credit. Beginning 1/1/2029, repeals the High Technology Business Investment Tax Credit and Tax Credit for Research Activities. (CD1)

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

