
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 such 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) For taxable years beginning after December 31, 2026,
2 prohibiting taxpayers with an adjusted gross income of
3 \$250,000 or greater if filing as an individual or
4 \$350,000 or greater if filing jointly from claiming a
5 credit for certain solar energy systems installed and
6 placed in service on a single-family residential
7 property;

8 (2) Limiting credit claims for certain solar energy
9 systems for single-family residential property to two
10 systems per single-family residential property and
11 requiring systems to have a total output capacity of
12 at least five kilowatts;

13 (3) Amending certain cap amounts for solar energy systems;
14 and

15 (4) Increasing the adjusted gross income threshold below
16 which an individual taxpayer may elect to have any
17 excess of the credit over payments due refunded.

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

20 **"§235-12.5 Renewable energy technologies; income tax**

21 **credit.** (a) Each individual or corporate taxpayer that files



1 an individual or corporate net income tax return for a taxable
2 year may claim a tax credit under this section against the
3 Hawaii state individual or corporate net income tax. The tax
4 credit may be claimed for every eligible renewable energy
5 technology system that is installed and placed in service in the
6 State by a taxpayer during the taxable year. The tax credit may
7 be claimed as follows:

8 (1) For each solar energy system: thirty-five per cent of
9 the actual cost or the cap amount determined in
10 subsection [~~(b)7~~] (c); provided that:

11 (A) For taxable years beginning after December 31,
12 2019, and except as provided in subparagraphs (B)
13 and (C), no tax credit may be claimed for a solar
14 energy system that is five megawatts in total
15 output capacity or larger and requires a power
16 purchase agreement approved by the public
17 utilities commission;

18 (B) A solar energy system that is five megawatts in
19 total output capacity or larger, installed and
20 placed in service pursuant to a power purchase
21 agreement approved or pending approval by a



1 decision and order by the public utilities
 2 commission [~~prior to~~] before December 31, 2019,
 3 shall continue to receive a tax credit equal to
 4 thirty-five per cent of the actual cost, or
 5 \$500,000 per solar energy system that has a total
 6 output capacity of at least one thousand
 7 kilowatts per system of direct current, whichever
 8 is less; and

9 (C) For each solar energy system integrated with a
 10 pumped hydroelectric energy storage system, the
 11 tax credit may be claimed for thirty-five per
 12 cent of the actual cost or the cap amount
 13 determined in subsection [~~(b)7~~] (c), whichever is
 14 less; provided that applicable project approval
 15 filings have been made to the public utilities
 16 commission by December 31, 2021; or

17 (2) For each wind-powered energy system: twenty per cent
 18 of the actual cost or the cap amount determined in
 19 subsection [~~(b)7~~] (c), whichever is less;

20 provided further that multiple owners of a single system shall
 21 be entitled to a single tax credit; [~~and~~] provided further that



1 the tax credit shall be apportioned between the owners in
2 proportion to their contribution to the cost of the system.

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

8 Distribution and share of credit shall be determined pursuant to
9 administrative rule.

10 (b) For taxable years beginning after December 31, 2026,
11 no taxpayer may claim a tax credit under this section for a
12 solar energy system that is installed and placed in service on a
13 single-family residential property unless the taxpayer's
14 adjusted gross income is \$250,000 or less if filing as an
15 individual or \$350,000 or less if filing jointly; provided that
16 this income restriction shall not apply to any energy systems
17 with the primary purpose of using energy from the sun to heat
18 water for household use.

19 ~~(b)~~ (c) The amount of credit allowed for each eligible
20 renewable energy technology system shall not exceed the
21 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 single-family residential
12 property; provided that [~~if~~]:

13 (i) If all or a portion of the system is used to
14 fulfill the substitute renewable energy
15 technology requirement pursuant to section
16 196-6.5(a)(3), the credit shall be reduced
17 by thirty-five per cent of the actual system
18 cost or \$2,250, whichever is less;

19 (ii) A taxpayer may claim a credit for up to two
20 systems per single-family residential
21 property; and



1 (iii) Each system for which a credit is claimed
2 shall have a total output capacity of at
3 least five kilowatts;

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

6 (C) \$500,000 per system for commercial property; and

7 (3) For all wind-powered energy systems, the cap amounts
8 shall be:

9 (A) \$1,500 per system for single-family residential
10 property; provided that if all or a portion of
11 the system is used to fulfill the substitute
12 renewable energy technology requirement pursuant
13 to section 196-6.5(a)(3), the credit shall be
14 reduced by twenty per cent of the actual system
15 cost or \$1,500, whichever is less;

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

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

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

20 "Actual cost" means costs related to the renewable energy
21 technology systems under subsection (a), including accessories



1 and installation, but not including the cost of consumer
2 incentive premiums unrelated to the operation of the system or
3 offered with the sale of the system and costs for which another
4 credit is claimed under this chapter.

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

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

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

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

19 [~~(d)~~] (e) For taxable years beginning after December 31,
20 2005, the dollar amount of any utility rebate shall be deducted



1 from the cost of the qualifying system and its installation
2 before applying the state tax credit.

3 ~~[(e)]~~ (f) The director of taxation shall prepare any forms
4 that may be necessary to claim a tax credit under this section,
5 including forms identifying the technology type of each tax
6 credit claimed under this section, whether for solar or wind.

7 The director may also require the taxpayer to furnish reasonable
8 information to ascertain the validity of the claim for credit
9 made under this section and may adopt rules necessary to
10 effectuate the purposes of this section pursuant to chapter 91.

11 ~~[(f)]~~ (g) If the tax credit under this section exceeds the
12 taxpayer's income tax liability, the excess of the credit over
13 liability may be used as a credit against the taxpayer's income
14 tax liability in subsequent years until exhausted, unless
15 otherwise elected by the taxpayer pursuant to subsection ~~[(g)]~~

16 (h) or ~~[(h)]~~ (i). All claims for the tax credit under this
17 section, including amended claims, shall be filed on or before
18 the end of the twelfth month following the close of the taxable
19 year for which the credit may be claimed. Failure to comply
20 with this subsection shall constitute a waiver of the right to
21 claim the credit.



1 [~~(g)~~] (h) For solar energy systems, a taxpayer may elect
2 to reduce the eligible credit amount by thirty per cent and if
3 this reduced amount exceeds the amount of income tax payment due
4 from the taxpayer, the excess of the credit amount over payments
5 due shall be refunded to the taxpayer; provided that tax credit
6 amounts properly claimed by a taxpayer who has no income tax
7 liability shall be paid to the taxpayer; [~~and~~] provided further
8 that no refund on account of the tax credit allowed by this
9 section shall be made for amounts less than \$1.

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

16 [~~(h)~~] (i) Notwithstanding subsection [~~(g)~~] (h), for any
17 renewable energy technology system, an individual taxpayer may
18 elect to have any excess of the credit over payments due
19 refunded to the taxpayer, if:

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



1 (2) The taxpayer's adjusted gross income is [~~\$20,000~~
2 \$40,000 or less (or [~~\$40,000~~ \$60,000 or less if
3 filing a tax return as married filing jointly);
4 provided that tax credits properly claimed by a taxpayer who has
5 no income tax liability shall be paid to the taxpayer; [~~and~~]
6 provided further that no refund on account of the tax credit
7 allowed by this section shall be made for amounts less than \$1.

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

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

18 [~~(i)~~] (j) No taxpayer shall be allowed a credit under this
19 section for the portion of the renewable energy technology
20 system required by section 196-6.5 that is installed and placed
21 in service on any newly constructed single-family residential



1 property authorized by a building permit issued on or after
2 January 1, 2010.

3 ~~[(j)]~~ (k) To the extent feasible, using existing resources
4 to assist the energy-efficiency policy review and evaluation,
5 the department shall assist with data collection on the
6 following for each taxable year:

7 (1) The number of renewable energy technology systems that
8 have qualified for a tax credit during the calendar
9 year by:

10 (A) Technology type; and

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

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

14 (A) Technology type; and

15 (B) Taxpayer type.

16 ~~[(k)]~~ (l) This section shall apply to eligible renewable
17 energy technology systems that are installed and placed in
18 service on or after July 1, 2009."

19 SECTION 3. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



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



Report Title:

Renewable Energy Technologies; Income Tax Credit; Income Restriction; Solar Energy Systems

Description:

Amends the renewable energy technologies income tax credit by: for taxable years beginning after 12/31/26, prohibiting taxpayers with an adjusted gross income of \$250,000 or greater if filing as an individual or \$350,000 or greater if filing jointly from claiming the credit for certain solar energy systems installed and placed in service on a single-family residential property; limiting credit claims for certain solar energy systems for single-family residential property to two systems per single-family residential property and requiring systems to have a total output capacity of at least five kilowatts; and increasing the adjusted gross income threshold below which an individual taxpayer may elect to have any excess credits refunded. Effective 7/1/3000. (HD1)

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