

---

---

# 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 moderate-  
9 income families by limiting the credit to taxpayers in those  
10 income brackets. The legislature additionally finds that such  
11 changes would promote equitable access to clean energy and help  
12 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) Beginning December 31, 2026, prohibiting individually
- 2                   or jointly filing taxpayers with an adjusted gross
- 3                   income of \$250,000 or greater from claiming a credit
- 4                   for certain solar energy systems installed and placed
- 5                   in service on a single-family residential property,
- 6                   with certain exemptions;
- 7           (2) Removing certain cap amounts for solar energy systems;
- 8                   and
- 9           (3) Increasing the adjusted gross income requirements for
- 10                   an individual taxpayer to elect to have any excess of
- 11                   the credit over payments due refunded.

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

14           "**§235-12.5 Renewable energy technologies; income tax**  
15 **credit.** (a) Each individual or corporate taxpayer that files  
16 an individual or corporate net income tax return for a taxable  
17 year may claim a tax credit under this section against the  
18 Hawaii state individual or corporate net income tax. The tax  
19 credit may be claimed for every eligible renewable energy  
20 technology system that is installed and placed in service in the



1 State by a taxpayer during the taxable year. The tax credit may  
2 be claimed as follows:

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

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

13 (B) A solar energy system that is five megawatts in  
14 total output capacity or larger, installed and  
15 placed in service pursuant to a power purchase  
16 agreement approved or pending approval by a  
17 decision and order by the public utilities  
18 commission [~~prior to~~] before December 31, 2019,  
19 shall continue to receive a tax credit equal to  
20 thirty-five per cent of the actual cost, or  
21 \$500,000 per solar energy system that has a total



1 output capacity of at least one thousand  
2 kilowatts per system of direct current, whichever  
3 is less; and

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

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

15 provided further that multiple owners of a single system shall  
16 be entitled to a single tax credit; [~~and~~] provided further that  
17 the tax credit shall be apportioned between the owners in  
18 proportion to their contribution to the cost of the system.

19 In the case of a partnership, S corporation, estate, or  
20 trust, the tax credit allowable is for every eligible renewable  
21 energy technology system that is installed and placed in service



1 in the State by the entity. The cost upon which the tax credit  
2 is computed shall be determined at the entity level.

3 Distribution and share of credit shall be determined pursuant to  
4 administrative rule.

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

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

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



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

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

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

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

8 ~~[(A) \$5,000 per system for single-family residential~~  
9 ~~property; provided that if all or a portion of~~  
10 ~~the system is used to fulfill the substitute~~  
11 ~~renewable energy technology requirement pursuant~~  
12 ~~to section 196-6.5(a)(3), the credit shall be~~  
13 ~~reduced by thirty-five per cent of the actual~~  
14 ~~system cost or \$2,250, whichever is less;~~

15 ~~+(B)]~~ (A) \$350 per unit per system for multi-family  
16 residential property; and

17 ~~+(C)]~~ (B) \$500,000 per system for commercial property;  
18 and

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



- 1 (A) \$1,500 per system for single-family residential  
2 property; provided that if all or a portion of  
3 the system is used to fulfill the substitute  
4 renewable energy technology requirement pursuant  
5 to section 196-6.5(a)(3), the credit shall be  
6 reduced by twenty per cent of the actual system  
7 cost or \$1,500, whichever is less;
- 8 (B) \$200 per unit per system for multi-family  
9 residential property; and
- 10 (C) \$500,000 per system for commercial property.

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

12 "Actual cost" means costs related to the renewable energy  
13 technology systems under subsection (a), including accessories  
14 and installation, but not including the cost of consumer  
15 incentive premiums unrelated to the operation of the system or  
16 offered with the sale of the system and costs for which another  
17 credit is claimed under this chapter.

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



1 "Renewable energy technology system" means a new system  
2 that captures and converts a renewable source of energy, such as  
3 solar or wind energy, into:

- 4 (1) A usable source of thermal or mechanical energy;
- 5 (2) Electricity; or
- 6 (3) Fuel.

7 "Solar or wind energy system" means any identifiable  
8 facility, equipment, apparatus, or the like that converts solar  
9 or wind energy to useful thermal or electrical energy for  
10 heating, cooling, or reducing the use of other types of energy  
11 that are dependent upon fossil fuel for their generation.

12 [~~(d)~~] (e) For taxable years beginning after December 31,  
13 2005, the dollar amount of any utility rebate shall be deducted  
14 from the cost of the qualifying system and its installation  
15 before applying the state tax credit.

16 [~~(e)~~] (f) 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)]~~ (g) 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 (h) or ~~[(h)]~~ (i). 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)]~~ (h) 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)]~~ (i) Notwithstanding subsection ~~[(g),]~~ (h), 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~~]  
16 \$40,000 or less (or [~~\$40,000~~] \$60,000 or less if  
17 filing a tax return as 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]~~ Spouses who do not file a joint tax  
2 return shall only be entitled to make this election to the  
3 extent that they would have been entitled to make the election  
4 had they filed a 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)]~~ (j) 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)]~~ (k) 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 (1) The number of renewable energy technology systems that  
2 have qualified for a tax credit during the calendar  
3 year by:

4 (A) Technology type; and

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

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

8 (A) Technology type; and

9 (B) Taxpayer type.

10 [~~(1)~~] (1) This section shall apply to eligible renewable  
11 energy technology systems that are installed and placed in  
12 service on or after July 1, 2009."

13 SECTION 3. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on April 19, 2042,  
16 and shall apply to taxable years beginning after December 31,  
17 2026.



**Report Title:**

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

**Description:**

Amends the renewable energy technologies income tax credit by beginning 12/31/26, prohibiting individually or jointly filing taxpayers with an adjusted gross income of \$250,000 or greater from claiming a credit for certain solar energy systems installed and placed in service on a single-family residential property, with certain exemptions; removing certain cap amounts for solar energy systems; and increasing the adjusted gross income requirements for an individual taxpayer to elect to have any excess credits refunded. Effective 4/19/2042. (SD1)

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

