

1 resources. Broadening the definition of "renewable energy" to
2 include other self-replenishing non-fossil fuel resources could
3 significantly advance the State's clean energy goals and produce
4 considerable environmental and economic benefits for the State.

5 Accordingly, the purpose of this Act is to:

- 6 (1) Amend the definition of "renewable energy" as used in
7 the public utilities commission law to include
8 additional self-replenishing non-fossil fuel, non-
9 nuclear resources; and
- 10 (2) Amend the renewable energy technologies income tax
11 credit.

12 **PART II**

13 SECTION 2. Section 269-91, Hawaii Revised Statutes, is
14 amended by amending the definition of "renewable energy" to read
15 as follows:

16 ""Renewable energy" means energy generated or produced
17 using [~~the following sources~~]:

- 18 (1) Wind;
- 19 (2) The sun;
- 20 (3) Falling water;



- 1 (4) Biogas, including landfill and sewage-based digester
- 2 gas;
- 3 (5) Geothermal;
- 4 (6) Ocean water, currents, and waves, including ocean
- 5 thermal energy conversion;
- 6 (7) Biomass, including biomass crops, agricultural and
- 7 animal residues and wastes, and municipal solid waste
- 8 and other solid waste;
- 9 (8) Biofuels; [~~and~~]
- 10 (9) Hydrogen produced from renewable energy sources [~~-~~];
- 11 and
- 12 (10) Other self-replenishing non-fossil fuel, non-nuclear
- 13 resources, as approved by rule or order of the public
- 14 utilities commission."

PART III

16 SECTION 3. Section 23-92, Hawaii Revised Statutes, is
17 amended by amending subsection (c) to read as follows:

18 "(c) This section shall apply to the following:

- 19 (1) Sections 235-12.5 and 241-4.6--Credit for renewable
- 20 energy [~~technology~~] technologies and commercial
- 21 seawater air conditioning system installed and placed



1 in service in the State. For the purpose of section
2 23-91(b) (5), this credit shall be deemed to have been
3 enacted for an economic benefit; and

4 (2) Section 235-17--Credit for qualified production costs
5 incurred for a qualified motion picture, digital
6 media, or film production."

7 SECTION 4. Section 235-12.5, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "§235-12.5 Renewable energy technologies [✓] and commercial
10 seawater air conditioning system; income tax credit. (a) When
11 the requirements of subsection (d) are met, each individual or
12 corporate taxpayer that files an individual or corporate net
13 income tax return for a taxable year may claim a tax credit
14 under this section against the Hawaii state individual or
15 corporate net income tax. [~~The tax credit may be claimed for~~
16 ~~every eligible renewable energy technology system that is~~
17 ~~installed and placed in service in the State by a taxpayer~~
18 ~~during the taxable year.~~] The tax credit may be claimed as
19 follows:

20 (1) For each solar energy system [✓] that is used
21 exclusively to heat water and is installed and first



1 placed in service in the State by a taxpayer during
2 the taxable year: thirty-five per cent of the [actual
3 cost or the cap amount determined in subsection (b),
4 whichever is less; or] basis up to the applicable cap
5 amount, which is determined as follows:

6 (A) \$2,000 per solar energy system for a single-
7 family residential property;

8 (B) \$700 per unit per solar energy system for a
9 multi-family residential property; and

10 (C) \$225,000 per solar energy system for a commercial
11 property;

12 (2) For each grid-connected solar energy system that is
13 used primarily to generate electricity and is
14 installed and first placed in service in the State by
15 a taxpayer during the taxable year:

16 (A) Thirty-five per cent of the basis for grid-
17 connected solar energy systems first placed in
18 service after December 31, 2019, and before
19 January 1, 2024, up to the applicable cap amount,
20 which is determined as follows:



1 (i) \$5,000 per grid-connected solar energy
2 system for a single-family residential
3 property; provided that if all or a portion
4 of the grid-connected solar energy system is
5 used to fulfill the substitute renewable
6 energy technology requirement pursuant to
7 section 196-6.5(a)(3), the credit shall be
8 reduced by twenty-five per cent of the basis
9 or \$2,250, whichever is less;

10 (ii) \$700 per unit per grid-connected solar
11 energy system for multi-family residential
12 property; and

13 (iii) \$500,000 per grid-connected solar energy
14 system for commercial property;

15 (B) Twenty per cent of the basis for grid-connected
16 solar energy systems first placed in service
17 after December 31, 2023, and before January 1,
18 2029, up to the applicable cap amount, which is
19 determined as follows:

20 (i) \$2,500 per grid-connected solar energy
21 system for a single-family residential



1 property; provided that if all or a portion
2 of the grid-connected solar energy system is
3 used to fulfill the substitute renewable
4 energy technology requirement pursuant to
5 section 196-6.5(a)(3), the credit shall be
6 reduced by twenty-five per cent of the basis
7 or \$1,875, whichever is less;

8 (ii) \$700 per unit per grid-connected solar
9 energy system for multi-family residential
10 property; and

11 (iii) \$250,000 per grid-connected solar energy
12 system for commercial property.

13 ~~[-2-]~~ (3) For each ~~[wind-powered]~~ grid-connected wind
14 energy system[+] first placed in service after
15 December 31, 2019, and before January 1, 2029, in the
16 State by a taxpayer during the taxable year: twenty
17 per cent of the ~~[actual cost or the cap amount~~
18 ~~determined in subsection (b), whichever is less,]~~
19 basis, up to the applicable cap amount, which is
20 determined as follows:



1 (A) \$1,500 per grid-connected wind energy system for
2 a single-family residential property; provided
3 that if all or a portion of the grid-connected
4 wind energy system is used to fulfill the
5 substitute renewable energy technology
6 requirement pursuant to section 196-6.5(a)(3),
7 the credit shall be reduced by twenty per cent of
8 the basis or \$1,500, whichever is less;

9 (B) \$700 per unit per grid-connected wind energy
10 system for a multi-family residential property;
11 and

12 (C) \$500,000 per grid-connected wind energy system
13 for a commercial property; and

14 (4) For each commercial seawater air conditioning system,
15 twenty percent of the basis of connecting the
16 commercial seawater air conditioning system to the
17 seawater air conditioning district cooling system up
18 to the applicable cap amount of \$100,000.

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



1 owners in proportion to their contribution to the cost of the
2 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 and commercial seawater air conditioning
6 system, as defined in this section, that is installed and placed
7 in service in the State by the entity. The cost upon which the
8 tax credit is computed shall be determined at the entity level.
9 Distribution and share of credit shall be determined pursuant to
10 section ~~[235-110.7(a)-.]~~ 704(b) of the Internal Revenue Code, as
11 amended.

12 (b) ~~[The amount of credit allowed for each eligible~~
13 ~~renewable energy technology system shall not exceed the~~
14 ~~applicable cap amount, which is determined as follows:~~

15 ~~(1) If the primary purpose of the solar energy system is~~
16 ~~to use energy from the sun to heat water for household~~
17 ~~use, then the cap amounts shall be:~~

18 ~~(A) \$2,250 per system for single family residential~~
19 ~~property;~~

20 ~~(B) \$350 per unit per system for multi family~~
21 ~~residential property; and~~



- 1 ~~(C) \$250,000 per system for commercial property;~~
- 2 ~~(2) For all other solar energy systems, the cap amounts~~
- 3 ~~shall be:~~
- 4 ~~(A) \$5,000 per system for single family residential~~
- 5 ~~property; provided that if all or a portion of~~
- 6 ~~the system is used to fulfill the substitute~~
- 7 ~~renewable energy technology requirement pursuant~~
- 8 ~~to section 196 6.5(a)(3), the credit shall be~~
- 9 ~~reduced by thirty five per cent of the actual~~
- 10 ~~system cost or \$2,250, whichever is less;~~
- 11 ~~(B) \$350 per unit per system for multi family~~
- 12 ~~residential property; and~~
- 13 ~~(C) \$500,000 per system for commercial property; and~~
- 14 ~~(3) For all wind powered energy systems, the cap amounts~~
- 15 ~~shall be:~~
- 16 ~~(A) \$1,500 per system for single family residential~~
- 17 ~~property; provided that if all or a portion of~~
- 18 ~~the system is used to fulfill the substitute~~
- 19 ~~renewable energy technology requirement pursuant~~
- 20 ~~to section 196 6.5(a)(3), the credit shall be~~



1 ~~reduced by twenty per cent of the actual system~~
2 ~~cost or \$1,500, whichever is less;~~

3 ~~(B) \$200 per unit per system for multi-family~~
4 ~~residential property; and~~

5 ~~(C) \$500,000 per system for commercial property.]~~

6 (c) For the purposes of this section:

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

13 ~~"Household use" means any use to which heated water is~~
14 ~~commonly put in a residential setting, including commercial~~
15 ~~application of those uses.]~~

16 "Basis" means costs related to the solar energy, wind
17 energy, or commercial seawater air conditioning system under
18 subsection (a), including accessories, installation, energy
19 storage, and cost of construction to connect to a seawater air
20 conditioning district cooling system, but does not include the
21 cost of consumer incentive premiums unrelated to the operation



1 of the energy system or offered with the sale of the energy
2 system and costs for which another credit is claimed under this
3 chapter. Any cost incurred and paid for the repair,
4 construction, or reconstruction of a structure in conjunction
5 with the installation and placing in service of a solar energy,
6 wind energy, or commercial seawater air conditioning system, such
7 as the reroofing of single-family residential property, multi-
8 family residential property, or commercial property, shall not
9 constitute a part of the basis for the purpose of this section;
10 provided that costs incurred for the physical support of the
11 solar or wind energy system, such as racking and mounting
12 equipment and costs incurred to seal or otherwise return a roof
13 to its pre-installation condition, shall constitute part of the
14 basis for the purposes of this section.

15 The term "basis" used under this section shall be
16 consistent with the use of the term "basis" in section 25D or
17 section 48 of the Internal Revenue Code, as amended.

18 "Commercial seawater air conditioning system" means a
19 building air conditioning system for commercial, office, or
20 residential buildings connected to a seawater air conditioning
21 district cooling system.



1 "First placed in service" has the same meaning as in title
2 26 Code of Federal Regulations section 1.167(a)-11(e)(1), as
3 amended.

4 "Grid-connected" means that the individual or corporate
5 taxpayer has obtained an approved interconnection agreement from
6 an electric utility for the solar or wind energy system and the
7 system is connected and normally operated in parallel with the
8 electric grid.

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

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

15 "Seawater air conditioning district cooling system" means
16 an identifiable facility, equipment, apparatus, or the like that
17 utilizes naturally occurring cold, deep seawater as its primary
18 source of cooling for production of chilled water for
19 distribution to multiple commercial air conditioning systems.

20 "Solar or wind energy system" means any identifiable
21 facility, equipment, apparatus, or the like that converts solar



1 or wind energy to useful thermal or electrical energy for
2 heating, cooling, or reducing the use of other types of energy
3 that are dependent upon fossil fuel for their generation[-];
4 provided that:

5 (1) The total output capacity requirements of the solar or
6 wind energy system shall be:

7 (A) For a single-family residential property, at
8 least five kilowatts per system;

9 (B) For a multi-family residential property, at least
10 0.360 kilowatts per unit per system;

11 (C) For a commercial property, at least one thousand
12 kilowatts per system; and

13 (D) For a wind energy system for commercial property,
14 at least one thousand kilowatts per system; and

15 (2) One of the following applies:

16 (A) The construction, reconstruction, or erection of
17 the solar or wind energy system is completed by
18 the taxpayer; or

19 (B) The solar or wind energy system is acquired by
20 the taxpayer if the original use of the solar or
21 wind energy system commences with the taxpayer.



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

5 (e) The director of taxation shall prepare any forms that
6 may be necessary to claim a tax credit under this section,
7 including forms identifying the technology type of each tax
8 credit claimed under this section[, ~~whether for solar or wind.~~].
9 The director may also require the taxpayer to furnish reasonable
10 information to ascertain the validity of the claim for credit
11 made under this section and may adopt rules necessary to
12 effectuate the purposes of this section pursuant to chapter 91.

13 (f) If the tax credit under this section exceeds the
14 taxpayer's income tax liability, the excess of the credit over
15 liability may be used as a credit against the taxpayer's income
16 tax liability in subsequent years until exhausted, unless
17 otherwise elected by the taxpayer pursuant to subsection (g) or
18 (h). All claims for the tax credit under this section,
19 including amended claims, shall be filed on or before the end of
20 the twelfth month following the close of the taxable year for
21 which the credit may be claimed. Failure to comply with this



1 subsection shall constitute a waiver of the right to claim the
2 credit.

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

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 (h) Notwithstanding subsection (g), for any renewable
19 energy technology system, an individual taxpayer may elect to
20 have any excess of the credit over payments due refunded to the
21 taxpayer, if:



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

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

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

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

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

20 (i) No taxpayer shall be allowed a credit under this
21 section for the portion of the renewable energy technology



1 system required by section 196-6.5 that is installed and first
2 placed in service on any newly constructed single-family
3 residential property authorized by a building permit issued on
4 or after January 1, 2010.

5 (j) The tax credit under this section shall be construed
6 in accordance with Treasury Regulations and judicial
7 interpretations of similar provisions in sections 25D, 45, and
8 48 of the Internal Revenue Code, as amended.

9 (k) A planned community association, condominium
10 association of apartment owners, or cooperative housing
11 corporation may claim the tax credit under this section in its
12 own name for systems or facilities placed in service and located
13 on common areas.

14 (l) No credit under this section shall be allowed to any
15 federal, state, or local government or any political
16 subdivision, agency, or instrumentality thereof.

17 (m) No credit under this section shall be authorized for
18 taxable years ending after December 31, 2028.

19 ~~[+j+]~~ (n) To the extent feasible, using existing resources
20 to assist the energy-efficiency policy review and evaluation,



1 the department shall assist with data collection on the
2 following for each taxable year:

3 (1) The number of renewable energy technology or
4 commercial seawater air conditioning systems that have
5 qualified for a tax credit during the calendar year
6 by:

7 (A) Technology type; and

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

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

11 (A) Technology type; and

12 (B) Taxpayer type.

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

16 SECTION 5. Section 241-4.6, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "§241-4.6 Renewable energy technologies~~[+]~~ and commercial
19 seawater air conditioning system income tax credit. The
20 renewable energy technologies and commercial seawater air
21 conditioning system income tax credit provided under section



1 235-12.5 shall be operative for this chapter for taxable years
2 beginning after December 31, 2002; provided that the system was
3 installed after June 30, 2003."

4 **PART IV**

5 SECTION 6. If any provision of this Act, or the
6 application thereof to any person or circumstance, is held
7 invalid, the invalidity does not affect other provisions or
8 applications of the Act that can be given effect without the
9 invalid provision or application, and to this end the provisions
10 of this Act are severable.

11 SECTION 7. This Act does not affect rights and duties that
12 matured, penalties that were incurred, and proceedings that were
13 begun before its effective date.

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

16 SECTION 9. This Act shall take effect on July 1, 2050;
17 provided that part III shall apply to taxable years beginning
18 after December 31, 2019; provided further that section
19 235-12.5(a)(1)(B), (a)(2)(A), (a)(3)(B), and (a)(3)(C), Hawaii
20 Revised Statutes, shall take effect on July 1, 2050.



Report Title:

Renewable Energy; Definition; Public Utilities; Renewable Energy Technologies Income Tax Credit; Commercial Seawater Air Conditioning System

Description:

Broadens the definition of "renewable energy" as used in the public utilities commission law to include other self-replenishing non-fossil fuel, non-nuclear resources. Amends the renewable energy technologies income tax credit by, among other things, including commercial seawater air conditioning systems. Takes effect on 7/1/2050. (SD1)

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

