
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. Section 235-12.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~§235-12.5 [Renewable energy technologies,]~~ Solar energy,
4 wind energy, and commercial seawater air conditioning system;
5 income tax credit. (a) When the requirements of subsection
6 [~~(d)~~] (c) are met, each individual or corporate taxpayer that
7 files an individual or corporate net income tax return for a
8 taxable year may claim a tax credit under this section against
9 the Hawaii state individual or corporate net income tax. [~~The~~
10 ~~tax credit may be claimed for every eligible renewable energy~~
11 ~~technology system that is installed and placed in service in the~~
12 ~~State by a taxpayer during the taxable year.] The tax credit
13 may be claimed as follows:~~

14 (1) For each solar energy system~~[+]~~ that is used
15 exclusively to heat water and is installed and first
16 placed in service in the State by a taxpayer during
17 the taxable year: thirty-five per cent of the [~~actual~~



1 ~~cost or the cap amount determined in subsection (b),~~
2 ~~whichever is less, or] basis up to the applicable cap~~
3 ~~amount, which is determined as follows:~~

4 (A) \$2,250 per solar energy system for single-family
5 residential property;

6 (B) \$350 per unit per system for multi-family
7 residential property;

8 (C) \$700 per unit per solar energy system for multi-
9 family residential property classified as low-
10 income, affordable housing, or senior housing;

11 and

12 (d) \$250,000 per solar energy system for commercial
13 property;

14 (2) For each grid-connected solar energy system that is
15 used primarily to generate electricity:

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, 2021, up to the applicable cap amount
20 under subsection (b); provided that a grid-
21 connected solar energy system that has an



1 executed customer service contract dated prior to
2 June 30, 2018, and is installed and first placed
3 in service before December 31, 2019, shall
4 receive thirty-five per cent of the basis for the
5 grid-connected solar energy system, up to the
6 applicable cap amount as described in subsection
7 (b), or a power purchase agreement dated prior to
8 December 31, 2019, and first placed into service
9 before December 31, 2024, shall receive thirty-
10 five per cent of the basis for the grid-connected
11 solar energy system, up to the applicable cap
12 amount as described in subsection (b);

13 (B) Thirty per cent of the basis for grid-connected
14 solar energy systems first placed in service
15 after December 31, 2020, and before January 1,
16 2022, up to the applicable cap amount under
17 subsection (b);

18 (C) Twenty-five per cent of the basis for grid-
19 connected solar energy systems first placed in
20 service after December 31, 2021, and before



- 1 January 1, 2023, up to the applicable cap amount
- 2 under subsection (b);
- 3 (D) Twenty per cent of the basis for grid-connected
- 4 solar energy systems first placed in service
- 5 after December 31, 2022, and before January 1,
- 6 2024, up to the applicable cap amount under
- 7 subsection (b);
- 8 (E) Fifteen per cent of the basis for grid-connected
- 9 solar energy systems first placed in service
- 10 after December 31, 2023, and before January 1,
- 11 2025, up to the applicable cap amount under
- 12 subsection (b);
- 13 (F) Ten per cent of the basis for grid-connected
- 14 solar energy systems first placed in service
- 15 after December 31, 2024, and before January 1,
- 16 2026, up to the applicable cap amount under
- 17 subsection (b); and
- 18 (G) Five per cent of the basis for grid-connected
- 19 solar energy systems first placed in service
- 20 after December 31, 2025, and before January 1,



1 2027, up to the applicable cap amount under
2 subsection (b);

3 ~~[(2)]~~ (3) For each ~~[wind-powered]~~ grid-connected wind
4 energy system~~[+]~~, twenty per cent of the [actual cost
5 ~~or the cap amount determined in subsection (b),~~
6 ~~whichever is less,]~~ basis, up to the applicable cap
7 amount, which is determined as follows:

8 (A) \$1,500 per grid-connected wind energy system for
9 single-family residential property; provided that
10 if all or a portion of the grid-connected wind
11 energy 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 basis or
15 \$1,500, whichever is less;

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

18 (C) \$500,000 per grid-connected wind energy system
19 for commercial property; provided that a grid-
20 connected wind energy system that has an executed
21 customer service contract dated prior to June 30,



1 2018, and is installed and first placed in
2 service before December 31, 2019, shall receive
3 thirty per cent of the basis for the grid-
4 connected wind energy system, up to the
5 applicable cap amount as described in this
6 subparagraph, or a power purchase agreement dated
7 prior to December 31, 2019, and first placed into
8 service before December 31, 2024, shall receive
9 thirty per cent of the basis for the grid-
10 connected wind energy system, up the applicable
11 cap amount as described in this subparagraph; and

12 (4) For each commercial seawater air conditioning system,
13 as defined in this section, twenty percent of the
14 basis of connecting the commercial seawater air
15 conditioning system to the seawater district cooling
16 system up to the applicable cap amount of \$100,000.

17 ~~[provided that multiple]~~ Multiple owners of a single system
18 shall be entitled to a single tax credit~~[7]~~, and ~~[provided~~
19 ~~further that]~~ the tax credit shall be apportioned between the
20 owners in proportion to their contribution to the cost of the
21 system.



1 In the case of a partnership, S corporation, estate, or
2 trust, the tax credit allowable is for every eligible [~~renewable~~
3 ~~energy technology~~] solar energy, wind energy, and commercial
4 seawater air conditioning system, as defined in this section,
5 that is installed and placed in service in the State by the
6 entity. The cost upon which the tax credit is computed shall be
7 determined at the entity level. Distribution and share of
8 credit shall be determined pursuant to section [~~235-110.7(a).~~]
9 704(b) of the Internal Revenue Code.

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

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

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

18 ~~(B) \$350 per unit per system for multi-family~~
19 ~~residential property; and~~

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



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



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

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

4 The cap amount for each grid-connected solar energy system that
5 is used primarily to generate electricity shall be the
6 applicable percentage of the basis pursuant to subsection
7 (a) (2), up to the following amounts:

8 (1) \$2,500 per grid-connected solar energy system for
9 single-family residential property; provided that if
10 all or a portion of the grid-connected solar energy
11 system is used to fulfill the substitute renewable
12 energy technology requirement pursuant to section 196-
13 6.5(a) (3), the credit shall be reduced by twenty-five
14 per cent of the basis or \$2,250, whichever is less;

15 (2) \$350 per unit per grid-connected system for multi-
16 family residential property;

17 (3) \$700 per unit per grid-connected solar energy system
18 for multi-family residential property classified as
19 low-income, affordable housing, or senior housing;

20 (4) \$250,000 per grid-connected solar energy system for
21 commercial property; and



1 (5) \$750,000 per utility solar energy system procured by
2 an electric utility under a power purchase agreement
3 and approved by the public utilities commission.

4 (c) For the purposes of this section:

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

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

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

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

18 ~~(2) Electricity; or~~

19 ~~(3) Fuel.]~~

20 "Basis" means costs related to the solar energy, wind
21 energy, or commercial seawater air conditioning system under



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

19 The term "basis" used under this section shall be
20 consistent with the use of the term "basis" in section 25D or
21 section 48 of the Internal Revenue Code.



1 "Commercial seawater air conditioning system" means a
2 building air conditioning system for commercial, office or
3 residential buildings connected to a seawater air conditioning
4 district cooling system.

5 "First placed in service" has the same meaning as in title
6 26 Code of Federal Regulations section 1.167(a)-11(e)(1).

7 "Grid-connected" means that the individual or corporate
8 taxpayer has obtained an approved interconnection agreement from
9 an electric utility for the solar energy system or whose
10 facility does not have an existing tie to the electric grid.

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

16 "Solar or wind energy system" means any identifiable
17 facility, equipment, apparatus, or the like that converts solar
18 or wind energy to useful thermal or electrical energy for
19 heating, cooling, or reducing the use of other types of energy
20 that are dependent upon fossil fuel for their generation[-];
21 provided that:



1 (1) The construction, reconstruction, or erection of the
2 solar or wind energy system is completed by the
3 taxpayer; or

4 (2) The solar or wind energy system is acquired by the
5 taxpayer if the original use of the solar or wind
6 energy system commences with the taxpayer.

7 (d) For taxable years beginning after December 31, 2005,
8 the dollar amount of any utility rebate shall be deducted from
9 the ~~cost~~ basis of the qualifying system and its installation
10 before applying the state tax credit.

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

19 (f) If the tax credit under this section exceeds the
20 taxpayer's income tax liability, the excess of the credit over
21 liability may be used as a credit against the taxpayer's income



1 tax liability in subsequent years until exhausted, unless
2 otherwise elected by the taxpayer pursuant to subsection (g) or
3 (h). All claims for the tax credit under this section,
4 including amended claims, shall be filed on or before the end of
5 the twelfth month following the close of the taxable year for
6 which the credit may be claimed. Failure to comply with this
7 subsection shall constitute a waiver of the right to claim the
8 credit.

9 (g) For solar energy, wind energy, or commercial seawater
10 air conditioning systems, a taxpayer may elect to reduce the
11 eligible credit amount by thirty per cent and if this reduced
12 amount exceeds the amount of income tax payment due from the
13 taxpayer, the excess of the credit amount over payments due
14 shall be refunded to the taxpayer; provided that tax credit
15 amounts properly claimed by a taxpayer who has no income tax
16 liability shall be paid to the taxpayer; and provided further
17 that no refund on account of the tax credit allowed by this
18 section shall be made for amounts less than \$1.

19 The election required by this subsection shall be made in a
20 manner prescribed by the director on the taxpayer's return for
21 the taxable year in which the solar energy, wind energy, or



1 commercial seawater air conditioning system is installed and
2 first placed in service. A separate election may be made for
3 each separate solar energy, wind energy, or commercial seawater
4 air conditioning system that generates a credit. An election
5 once made is irrevocable.

6 (h) Notwithstanding subsection [~~(g)~~,] (f), for any
7 [~~renewable energy technology~~] solar energy, wind energy, or
8 commercial seawater air conditioning system, an individual
9 taxpayer may elect to have any excess of the credit over
10 payments due refunded to the taxpayer[~~7~~] without discount, if:

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

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

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

20 A [~~husband and wife~~] married couple who do not file a joint
21 tax return shall only be entitled to make this election to the



1 extent that they would have been entitled to make the election
2 had they filed a joint tax return.

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 solar energy, wind energy, or
6 commercial seawater air conditioning system is installed and
7 first placed in service. A separate election may be made for
8 each separate solar energy, wind energy, or commercial seawater
9 air conditioning system that generates a credit. An election
10 once made is irrevocable.

11 (i) 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 first
14 placed in service on any newly constructed single-family
15 residential property authorized by a building permit issued on
16 or after January 1, 2010.

17 (j) The tax credit under this section shall be construed
18 in accordance with Treasury Regulations and judicial
19 interpretations of similar provisions in sections 25D, 45, and
20 48 of the Internal Revenue Code.



1 (k) A planned community association, condominium
2 association of apartment owners, or cooperative housing
3 corporation may claim the tax credit under this section in its
4 own name for systems or facilities placed in service and located
5 on common areas.

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

9 (m) No credit under this section shall be authorized for
10 taxable years ending after December 31, 2026.

11 [~~(j)~~] (n) To the extent feasible, using existing resources
12 to assist the energy-efficiency policy review and evaluation,
13 the department shall assist with data collection on the
14 following for each taxable year:

15 (1) The number of [~~renewable energy technology~~] solar
16 energy, wind energy, or commercial seawater air
17 conditioning systems that have qualified for a tax
18 credit during the calendar year by:

19 (A) Technology type; and

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



- 1 (2) The total cost of the tax credit to the State during
- 2 the taxable year by:
- 3 (A) Technology type; and
- 4 (B) Taxpayer type.

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

8 SECTION 2. If any provision of this Act, or the
9 application thereof to any person or circumstance, is held
10 invalid, the invalidity does not affect other provisions or
11 applications of the Act that can be given effect without the
12 invalid provision or application, and to this end the provisions
13 of this Act are severable.

14 SECTION 3. This Act does not affect rights and duties that
15 matured, penalties that were incurred, and proceedings that were
16 begun before its effective date.

17 SECTION 4. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 5. This Act, upon its approval, shall apply to
20 taxable years beginning after December 31, 2019, except that



1 sections 235-12.5(a)(2)(A) and 235-12.5(a)(3)(C), Hawaii Revised
2 Statutes, shall take effect upon approval of this Act.



Report Title:

Renewable Energy; Solar and Wind Energy System; Energy Storage System; Tax Credit

Description:

Replaces the current renewable energy technology systems tax credit with tax credits for solar energy, wind energy, or commercial seawater air conditioning systems. Applies to taxable years beginning after 12/31/2019, except that a credit for certain solar energy systems for commercial properties shall take effect upon approval of this Act. (SD1)

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