
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 (d)
6 are met, each individual or corporate taxpayer that files an
7 individual or corporate net income tax return for a taxable year
8 may claim a tax credit under this section against the Hawaii
9 state individual or corporate net income tax. [~~The tax credit~~
10 ~~may be claimed for every eligible renewable energy technology~~
11 ~~system that is installed and placed in service in the State by a~~
12 ~~taxpayer during the taxable year.] The tax credit may be
13 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) \$2,000 per solar energy system for a single-
5 family residential property;

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

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

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

12 (A) Thirty-five per cent of the basis for grid-
13 connected solar energy systems first placed in
14 service after December 31, 2019, and before
15 January 1, 2021, up to the applicable cap amount
16 under subsection (b); provided that a grid-
17 connected solar energy system that has:

18 (i) An executed customer service contract dated
19 prior to June 30, 2018, and is installed and
20 first placed in service before December 31,
21 2019, shall receive thirty-five per cent of



1 the basis for the grid-connected solar
2 energy system, up to the applicable cap
3 amount of \$500,000 per solar energy system;
4 or

5 (ii) A power purchase agreement dated prior to
6 December 31, 2019, and first placed in
7 service before December 31, 2024, shall
8 receive thirty-five per cent of the basis
9 for the grid-connected solar energy system,
10 up to the applicable cap amount of \$500,000
11 per solar energy system;

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

17 (C) Twenty-five per cent of the basis for grid-
18 connected solar energy systems first placed in
19 service after December 31, 2021, and before
20 January 1, 2023, up to the applicable cap amount
21 under subsection (b);



1 (D) Twenty per cent of the basis for grid-connected
2 solar energy systems first placed in service
3 after December 31, 2022, and before January 1,
4 2024, up to the applicable cap amount under
5 subsection (b);

6 (E) Fifteen per cent of the basis for grid-connected
7 solar energy systems first placed in service
8 after December 31, 2023, and before January 1,
9 2025, up to the applicable cap amount under
10 subsection (b);

11 (F) Ten per cent of the basis for grid-connected
12 solar energy systems first placed in service
13 after December 31, 2024, and before January 1,
14 2026, up to the applicable cap amount under
15 subsection (b); and

16 (G) Five per cent of the basis for grid-connected
17 solar energy systems first placed in service
18 after December 31, 2025, and before January 1,
19 2027, up to the applicable cap amount under
20 subsection (b);



1 ~~[-(2)]~~ (3) For each ~~[wind-powered]~~ grid-connected wind
2 energy system~~[+]~~, twenty per cent of the ~~[actual cost~~
3 ~~or the cap amount determined in subsection (b),~~
4 ~~whichever is less;]~~ basis, up to the applicable cap
5 amount, which is determined as follows:

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

14 (B) \$700 per unit per grid-connected wind energy
15 system for a multi-family residential property;
16 and

17 (C) \$500,000 per grid-connected wind energy system
18 for a commercial property; provided that a grid-
19 connected wind energy system that has:

20 (i) An executed customer service contract dated
21 prior to June 30, 2018, and is installed and



1 first placed in service before December 31,
2 2019, shall receive thirty per cent of the
3 basis for the grid-connected wind energy
4 system, up to the applicable cap amount as
5 described in this subparagraph; or

6 (ii) A power purchase agreement dated prior to
7 December 31, 2019, and first placed in
8 service before December 31, 2024, shall
9 receive thirty per cent of the basis for the
10 grid-connected wind energy system, up the
11 applicable cap amount as described in this
12 subparagraph; and

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

18 [~~provided that multiple~~] Multiple owners of a single system
19 shall be entitled to a single tax credit[~~and~~] provided
20 [~~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~~] solar energy, wind energy, and commercial
6 seawater air conditioning system, as defined in this section,
7 that is installed and placed in service in the State by the
8 entity. The cost upon which the tax credit is computed shall be
9 determined at the entity level. Distribution and share of
10 credit shall be determined pursuant to section [~~235-110.7(a).~~]
11 704(b) of the Internal Revenue Code, as 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 The cap amount for each grid-connected solar energy system that
7 is used primarily to generate electricity pursuant to subsection
8 (a) (2) shall be:

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

16 (2) \$700 per unit per grid-connected solar energy system
17 for multi-family residential property;

18 (3) \$250,000 per grid-connected solar energy system for
19 commercial property; and

20 (4) \$750,000 per utility solar energy system that is owned
21 or procured by an electric utility under a power



1 purchase agreement with an unregulated and
2 unaffiliated independent power producer; provided that
3 the ownership or power purchase agreement has been
4 approved by the public utilities commission.

5 (c) For the purposes of this section:

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

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

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

- 18 ~~(1) A usable source of thermal or mechanical energy;~~
19 ~~(2) Electricity; or~~
20 ~~(3) Fuel.]~~



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



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

4 "Commercial seawater air conditioning system" means a
5 building air conditioning system for commercial, office, or
6 residential buildings connected to a seawater air conditioning
7 district cooling system.

8 "First placed in service" has the same meaning as in title
9 26 Code of Federal Regulations section 1.167(a)-11(e)(1), as
10 amended.

11 "Grid-connected" means that the individual or corporate
12 taxpayer has obtained an approved interconnection agreement from
13 an electric utility for the solar or wind energy system and the
14 system is connected and normally operated in parallel with the
15 electric grid.

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



1 "Solar or wind energy system" means any identifiable
2 facility, equipment, apparatus, or the like that converts solar
3 or wind energy to useful thermal or electrical energy for
4 heating, cooling, or reducing the use of other types of energy
5 that are dependent upon fossil fuel for their generation[+];
6 provided that:

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

9 (A) For a single-family residential property, at
10 least five kilowatt hours per system;

11 (B) For a multi-family residential property, at least
12 0.360 kilowatts per unit per system;

13 (C) For a commercial property, at least one thousand
14 kilowatts per system;

15 (D) For a utility solar energy system, at least one
16 thousand kilowatts per system; and

17 (E) For a wind energy system for commercial property,
18 at least one thousand kilowatts per system; and

19 (2) One of the following applies:



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

4 (B) The solar or wind energy system is acquired by
5 the taxpayer if the original use of the solar or
6 wind 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), for any [~~renewable~~
7 ~~energy technology~~] solar energy, wind energy, or commercial
8 seawater air conditioning system, an individual taxpayer may
9 elect to have any excess of the credit over payments due
10 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, as amended.



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 shall take effect on July 1, 2050, and
20 shall apply to taxable years beginning after December 31, 2019;
21 provided that sections 235-12.5(a)(1)(B), 235-12.5(a)(2)(A),



- 1 235-12.5(a)(3)(B), 235-12.5(a)(3)(C), and 235-12.5(b)(2), Hawaii
- 2 Revised Statutes, shall take effect on July 1, 2050.



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. Sunsets the credit after 12/31/2026. Effective 7/1/2050. (SD2)

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

