A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS.

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

SECTION 1. In 1976, the legislature, recognizing the critical importance of renewable energy to the State, enacted Act 189, Session Laws of Hawaii 1976 (Act 189), which established income tax credits to encourage investment in renewable energy systems. Since the enactment of Act 189, state law has been amended to authorize varying tax credit rates and durations of tax credits, and to include emergent, viable renewable energy technologies among technologies eligible for tax credits. The legislature found in 2008 that fossil fuel imports account for a greater impact upon Hawaii's economy than at any prior time, despite Hawaii being blessed with the greatest number of renewable energy resources in the nation.

The purpose of this Act is to encourage investment in the deployment of seawater air conditioning as a renewable energy technology by amending the renewable energy technologies income tax credit.
SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is amended to read as follows:

"§235-12.5 Renewable energy technologies; income tax credit. (a) When the requirements of subsection (d) are met, each individual or corporate taxpayer that files an individual or corporate net income tax return for a taxable year may claim a tax credit under this section against the Hawaii state individual or corporate net income tax. The tax credit may be claimed for every eligible renewable energy technology system that is installed and placed in service in the State by a taxpayer during the taxable year. The tax credit may be claimed as follows:

(1) For each solar energy system: thirty-five per cent of the actual cost or the cap amount determined in subsection (b), whichever is less; [ex]

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

(3) For each commercial seawater air conditioning system: the actual cost of connecting the commercial seawater air conditioning system to the seawater air
conditioning district cooling system or the cap amount
determined in subsection (b), whichever is less;
provided that multiple owners of a single system shall beenteitled to a single tax credit; and provided further that the
tax credit shall be apportioned between the owners in proportion
to their contribution to the cost of the system.

In the case of a partnership, S corporation, estate, or
trust, the tax credit allowable is for every eligible renewable
energy technology system that is installed and placed in service
in the State by the entity. The cost upon which the tax credit
is computed shall be determined at the entity level.
Distribution and share of credit shall be determined pursuant to
section 235-110.7(a).

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

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

(A) $2,250 per system for single-family residential
property;
(B) $350 per unit per system for multi-family residential property; and

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

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

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

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

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

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

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

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

(C) $500,000 per system for commercial property[7];

and

(4) For each commercial seawater air conditioning system, as provided in subsection (a)(3), the cap amount shall be $250,000 per multi-family residential or commercial property; provided that the total amount of tax credits allowed under subsection (a)(3) shall not exceed $5,000,000 for all taxpayers in any taxable year.

(c) For the purposes of this section:

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

"Commercial seawater air conditioning system" means a
building air conditioning system for a commercial, office, or
residential building or collection of buildings connected to a
seawater air conditioning district cooling system.

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

"Renewable energy technology system" means a new system
that captures and converts a renewable source of energy, such as
solar or wind energy, or cold deep seawater into:
(1) A usable source of thermal or mechanical energy;
(2) Electricity; or
(3) Fuel.

"Seawater air conditioning district cooling system" means
an identifiable facility, equipment, apparatus, or the like that
utilizes naturally occurring cold, deep seawater as its primary
source of cooling that centralizes chilled water production into
a single central chiller plant for distribution of the chilled
water to multiple commercial seawater air conditioning systems.
"Solar or wind energy system" means any identifiable facility, equipment, apparatus, or the like that converts solar or wind energy to useful thermal or electrical energy for heating, cooling, or reducing the use of other types of energy that are dependent upon fossil fuel for their generation.

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

(e) For commercial seawater air conditioning systems, the Hawaii state energy office shall:

(1) Certify all systems for which a credit is claimed under section (a)(3);

(2) Collect and maintain a record of all qualified expenses for each taxpayer claiming a credit; and

(3) Certify to each taxpayer the amount of credit the taxpayer may claim; provided that if, in any year, the annual amount of certified credits reaches $5,000,000 in the aggregate, the Hawaii state energy office shall immediately discontinue certifying credits and notify the department of taxation.
The chief energy officer may adopt rules under chapter 91 as necessary to implement the certification requirements of this subsection.

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

[g] If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted, unless otherwise elected by the taxpayer pursuant to subsection [f] or [h]. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply
with this subsection shall constitute a waiver of the right to
claim the credit.

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

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

\[\text{(i)}\] Notwithstanding subsection \[\text{(g+)}\] (h), for any
renewable energy technology system, an individual taxpayer may
elect to have any excess of the credit over payments due
refunded to the taxpayer, if:
1. All of the taxpayer's income is exempt from taxation under section 235-7(a)(2) or (3); or
2. The taxpayer's adjusted gross income is $20,000 or less (or $40,000 or less if filing a tax return as married filing jointly);
3. provided that tax credits properly claimed by a taxpayer who has no income tax liability shall be paid to the taxpayer; and
4. provided further that no refund on account of the tax credit allowed by this section shall be made for amounts less than $1.

A husband and wife who do not file a joint tax return shall only be entitled to make this election to the extent that they would have been entitled to make the election had they filed a joint tax return.

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

No taxpayer shall be allowed a credit under this section for the portion of the renewable energy technology
system required by section 196-6.5 that is installed and placed in service on any newly constructed single-family residential property authorized by a building permit issued on or after January 1, 2010.

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

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

(A) Technology type; and

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

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

(A) Technology type; and

(B) Taxpayer type.

[+k+] (l) This section shall apply to eligible renewable energy technology systems that are installed and placed in service on or after July 1, 2009.
SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2050, and shall apply to taxable years beginning after December 31, 2020.
Report Title:
Renewable Energy Technologies Income Tax Credit; Seawater Air Conditioning

Description:
Amends the renewable energy technologies income tax credit to include commercial seawater air conditioning systems. Requires the Hawaii State Energy Office to certify tax credits involving commercial seawater air conditioning systems. Applies to taxable years beginning after 12/31/2020. Effective 7/1/2050. (SD2)

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