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# 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; income tax**  
4 **credit.** (a) When the requirements of subsection (d) are met,  
5 each individual or corporate taxpayer that files an individual  
6 or corporate net income tax return for a taxable year may claim  
7 a tax credit under this section against the Hawaii state  
8 individual or corporate net income tax. The tax credit may be  
9 claimed for every eligible renewable energy technology system  
10 that is installed and placed in service in the State by a  
11 taxpayer during the taxable year. The tax credit may be claimed  
12 as follows:

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



1           (A) For taxable years beginning after December 31,  
2                           2019, and except as provided in subparagraphs (B)  
3                           and (C), no tax credit may be claimed for a solar  
4                           energy system that is five megawatts in total  
5                           output capacity or larger and requires a power  
6                           purchase agreement approved by the public  
7                           utilities commission;

8           (B) Notwithstanding any law to the contrary and any  
9                           subsequent amendments to this paragraph or to any  
10                          applicable law, a solar energy system that is  
11                          five megawatts in total output capacity or  
12                          larger, installed and placed in service pursuant  
13                          to a power purchase agreement approved or pending  
14                          approval by a decision and order by the public  
15                          utilities commission prior to December 31, 2019,  
16                          shall continue to receive a tax credit equal to  
17                          thirty-five per cent of the actual cost, or  
18                          \$500,000 per solar energy system that has a total  
19                          output capacity of at least one thousand  
20                          kilowatts per system of direct current, whichever  
21                          is less; and



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

9           (2) For each wind-powered energy system: twenty per cent  
10           of the actual cost or the cap amount determined in  
11           subsection (b), whichever is less;  
12           provided further that multiple owners of a single system shall  
13           be entitled to a single tax credit; and provided further that  
14           the tax credit shall be apportioned between the owners in  
15           proportion to their contribution to the cost of the system.

16           In the case of a partnership, S corporation, estate, or  
17           trust, the tax credit allowable is for every eligible renewable  
18           energy technology system that is installed and placed in service  
19           in the State by the entity. The cost upon which the tax credit  
20           is computed shall be determined at the entity level.



1 Distribution and share of credit shall be determined pursuant to  
2 [~~section 235-110.7(a).~~] administrative rule.

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

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

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

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

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

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

16 (A) \$5,000 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 thirty-five per cent of the actual  
2 system cost or \$2,250, whichever is less;  
3 (B) \$350 per unit per system for multi-family  
4 residential property; and  
5 (C) \$500,000 per system for commercial property; and  
6 (3) For all wind-powered energy systems, the cap amounts  
7 shall be:  
8 (A) \$1,500 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 twenty per cent of the actual system  
14 cost or \$1,500, whichever is less;  
15 (B) \$200 per unit per system for multi-family  
16 residential property; and  
17 (C) \$500,000 per system for commercial property.  
18 (c) For the purposes of this section:  
19 "Actual cost" means costs related to the renewable energy  
20 technology systems under subsection (a), including accessories  
21 and installation, but not including the cost of consumer



1 incentive premiums unrelated to the operation of the system or  
2 offered with the sale of the system and costs for which another  
3 credit is claimed under this chapter.

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

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

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

11 (2) Electricity; or

12 (3) Fuel.

13 "Solar or wind energy system" means any identifiable  
14 facility, equipment, apparatus, or the like that converts solar  
15 or wind energy to useful thermal or electrical energy for  
16 heating, cooling, or reducing the use of other types of energy  
17 that are dependent upon fossil fuel for their generation.

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



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

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

20 (g) For solar energy systems, a taxpayer may elect to  
21 reduce the eligible credit amount by thirty per cent and if this



1 reduced amount exceeds the amount of income tax payment due from  
2 the taxpayer, the excess of the credit amount over payments due  
3 shall be refunded to the taxpayer; provided that tax credit  
4 amounts properly claimed by a taxpayer who has no income tax  
5 liability shall be paid to the taxpayer; and provided further  
6 that no refund on account of the tax credit allowed by this  
7 section shall be made for amounts less than \$1.

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

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

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





1           (2) The taxpayer's adjusted gross income is \$20,000 or  
2           less (or \$40,000 or less if filing a tax return as  
3           married filing jointly);  
4 provided that tax credits properly claimed by a taxpayer who has  
5 no income tax liability shall be paid to the taxpayer; and  
6 provided further that no refund on account of the tax credit  
7 allowed by this section shall be made for amounts less than \$1.

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

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           (i) No taxpayer shall be allowed a credit under this  
19 section for the portion of the renewable energy technology  
20 system required by section 196-6.5 that is installed and placed  
21 in service on any newly constructed single-family residential



1 property authorized by a building permit issued on or after  
2 January 1, 2010.

3 (j) To the extent feasible, using existing resources to  
4 assist the energy-efficiency policy review and evaluation, the  
5 department shall assist with data collection on the following  
6 for each taxable year:

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

10 (A) Technology type; and

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

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

14 (A) Technology type; and

15 (B) Taxpayer type.

16 (k) This section shall apply to eligible renewable energy  
17 technology systems that are installed and placed in service on  
18 or after July 1, 2009.

19 (l) This section shall not apply to taxable years  
20 beginning after December 31, 2045."



1 SECTION 2. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 3. This Act shall take effect upon its approval  
4 and shall apply to taxable years beginning after December 31,  
5 2019.



S.B. NO. 2820  
S.D. 2  
H.D. 1

**Report Title:**

Renewable Energy Technologies; Income Tax Credit

**Description:**

Amends the requirements for each solar energy system to claim the renewable energy technologies income tax credit. Makes the renewable energy technologies income tax credit inapplicable to taxable years beginning after 12/31/2045. (HD1)

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

