
A BILL FOR AN ACT

RELATING TO ENERGY.

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

1 SECTION 1. The legislature finds that Hawaii is dependent
2 on imported oil for more than ninety-two per cent of its energy
3 needs, making it the most vulnerable state in the nation to
4 economic disruption in the event of upheavals in the world oil
5 market. Moreover, during periods of supply curtailment, the
6 State's need to ensure basic public emergency services to
7 safeguard public health, safety, and welfare, such as police and
8 fire protection, hospital and ambulance services, and utility
9 emergency services, competes with the need to maintain Hawaii's
10 economy and employment levels, not to mention the continued
11 operations of the State's transportation, commerce, industry,
12 construction, government, the military, and agriculture. Other
13 factors, including Hawaii's geographic isolation and lack of
14 overland access to energy sources, make the State unique in its
15 near total reliance on imported oil and vulnerability to supply
16 disruptions. The recent catastrophic events of Hurricane
17 Katrina underline the need for Hawaii to severely reduce its
18 dependence on foreign oil. The legislature's enactment of



1 wholesale gas price caps linked to Gulf Coast markets
2 demonstrates Hawaii's vulnerability to events that occur off our
3 island state.

4 The legislature further finds that Hawai'i is blessed with
5 an abundance of renewable energy sources, including solar
6 energy. While residents have taken advantage of the power of
7 the sun to heat their water, using solar power to generate
8 electricity through the use of photovoltaic systems is a more
9 recent technology. The legislature also finds that the federal
10 Energy Policy Act of 2005 allows a \$2,000 federal tax credit for
11 personal income tax payers for installation of photovoltaic
12 systems, and a 30% tax credit for businesses that install
13 photovoltaic systems. Both federal credits expire at the end of
14 2007. State law currently allows a tax credit of 35% of cost or
15 \$1,750, whichever is less, for single family homes, and 35% of
16 cost or \$250,000, whichever is less, for hotels, commercial, and
17 industrial facilities. The dollar amount of the state credit
18 represents approximately 15-20% of the cost to purchase and
19 install a residential photovoltaic system.

20 Due to the nature of the technology and its relative youth
21 when compared to solar water heaters, photovoltaic technology is
22 more expensive. However, conversion of sunlight into



1 electricity allows the power of the sun to be used for more than
2 simply heating water. The purpose of this Act is to increase
3 the amount of the credit for photovoltaic systems to provide
4 financial incentives to increase the use of this technology.

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

7 **"§235-12.5 Renewable energy technologies; income tax**

8 **credit.** [*Repealed January 1, 2008. L 2003, c 207, §4.*] (a)

9 When the requirements of subsection (c) are met, each individual
10 or corporate resident taxpayer that files an individual or
11 corporate net income tax return for a taxable year may claim a
12 tax credit under this section against the Hawaii state
13 individual or corporate net income tax. The tax credit may be
14 claimed for every eligible renewable energy technology system
15 that is installed and placed in service by a taxpayer during the
16 taxable year. This credit shall be available for systems
17 installed and placed in service after June 30, 2003. The tax
18 credit may be claimed as follows:

19 (1) Solar thermal energy systems for:

20 (A) Single-family residential property: thirty-five
21 per cent of the actual cost or \$1,750, whichever
22 is less;



1 (B) Multi-family residential property: thirty-five
2 per cent of the actual cost or \$350 per unit,
3 whichever is less; and

4 (C) Commercial property: thirty-five per cent of the
5 actual cost or \$250,000, whichever is less;

6 (2) Wind-powered energy systems for:

7 (A) Single-family residential property: twenty per
8 cent of the actual cost or \$1,500, whichever is
9 less;

10 (B) Multi-family residential property: twenty per
11 cent of the actual cost or \$200 per unit,
12 whichever is less; and

13 (C) Commercial property: twenty per cent of the
14 actual cost or \$250,000, whichever is less; and

15 (3) Photovoltaic energy systems for:

16 (A) Single-family residential property: thirty-five
17 per cent of the actual cost or [~~\$1,750~~] \$7,500,
18 whichever is less;

19 (B) Multi-family residential property: thirty-five
20 per cent of the actual cost or [~~\$350~~] \$1400 per
21 unit, whichever is less; and



1 (C) Commercial property: thirty-five per cent of the
2 actual cost or [~~\$250,000~~] \$500,000, whichever is
3 less;

4 provided that multiple owners of a single system shall be
5 entitled to a single tax credit; and provided further that the
6 tax credit shall be apportioned between the owners in proportion
7 to their contribution to the cost of the system.

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

14 (b) For the purposes of this section:

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

21 "Renewable energy technology system" means a new system
22 that captures and converts a renewable source of energy, such as



1 wind, heat (solar thermal), or light (photovoltaic) from the sun
2 into:

- 3 (1) A usable source of thermal or mechanical energy;
- 4 (2) Electricity; or
- 5 (3) Fuel.

6 "Solar or wind energy system" means any identifiable
7 facility, equipment, apparatus, or the like that converts
8 insolation or wind energy to useful thermal or electrical energy
9 for heating, cooling, or reducing the use of other types of
10 energy that are dependent upon fossil fuel for their generation.

11 (c) The dollar amount of any new federal energy tax credit
12 similar to the credit provided in this section that is
13 established after June 30, 2003, and any utility rebate, shall
14 be deducted from the cost of the qualifying system and its
15 installation before applying the state tax credit.

16 (d) The director of taxation shall prepare any forms that
17 may be necessary to claim a tax credit under this section,
18 including forms identifying the technology type of each tax
19 credit claimed under this section, whether for solar thermal,
20 photovoltaic from the sun, or wind. The director may also
21 require the taxpayer to furnish reasonable information to
22 ascertain the validity of the claim for credit made under this



1 section and may adopt rules necessary to effectuate the purposes
2 of this section pursuant to chapter 91.

3 (e) If the tax credit under this section exceeds the
4 taxpayer's income tax liability, the excess of the credit over
5 liability may be used as a credit against the taxpayer's income
6 tax liability in subsequent years until exhausted. All claims
7 for the tax credit under this section, including amended claims,
8 shall be filed on or before the end of the twelfth month
9 following the close of the taxable year for which the credit may
10 be claimed. Failure to comply with this subsection shall
11 constitute a waiver of the right to claim the credit.

12 (f) By or before December, 2005, to the extent feasible,
13 using existing resources to assist the energy-efficiency policy
14 review and evaluation, the department shall assist with data
15 collection on the following:

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

19 (A) Technology type (solar thermal, photovoltaic from
20 the sun, and wind); and

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



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

3 (A) Technology type; and

4 (B) Taxpayer type."

5 SECTION 3. Act 207, Session Laws of Hawaii 2003, is
6 amended by amending section 4 to read as follows:

7 "SECTION 4. This Act shall take effect on July 1, 2003 [7
8 and shall be repealed January 1, 2008]."

9 SECTION 4. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 5. This Act shall take effect on approval, and
12 shall apply to taxable years beginning after December 31, 2005.

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INTRODUCED BY: Barbara Manna

Guthrie Thelen

Ann V. St.

Mark Moser

Alumigan

Callen Meyer

Ed Stonebraker

Z R

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HB 2022

Report Title:

Energy

Description:

Increases tax credit for installation and purchase of photovoltaic systems.

