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# A BILL FOR AN SECTION

RELATING TO A VEHICLE CONVERSION TAX CREDIT.

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

1           SECTION 1. Consistent with public policy, the legislature  
2 finds that the use of low emission energy-efficient fuels is in  
3 the public interest and promotes the general welfare of the  
4 people of this State insofar as it addresses serious concerns  
5 for our environment and our state's and nation's dependence on  
6 petroleum based fuels as a source of energy. The legislature  
7 further finds that by encouraging the use of low emission  
8 energy-efficient vehicles, the State will be reducing its  
9 dependence on petroleum fuel and addressing environmental impact  
10 caused by petroleum based fuels. However, because the cost of  
11 low emission energy-efficient vehicle technologies remains high  
12 in relation to motor vehicles that employ more traditional  
13 technologies, citizens of this State who might otherwise choose  
14 a low emission energy-efficient vehicle are forced by economic  
15 necessity to continue using motor vehicles that are fueled by  
16 more conventional means. Therefore, in order to encourage the  
17 use of low emission energy-efficient vehicles and reduce the  
18 state's dependence on petroleum based sources of energy, there



1 is hereby created a low emission energy-efficient vehicle  
2 conversion tax credit.

3 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6 "§235- Credit for low emission energy-efficient vehicle

7 conversion. (a) There shall be allowed to each taxpayer  
8 subject to the taxes imposed by this chapter, a tax credit that  
9 shall be applied to the taxpayer's net income tax liability, if  
10 any, imposed by this chapter for the taxable year in which the  
11 credit is properly claimed.

12 (b) The tax credit shall only be available to qualified  
13 registered vehicle owners.

14 (c) If the tax credit under this section exceeds the  
15 taxpayer's income tax liability for the taxable year or years in  
16 which the credit is claimed, the excess of the tax credit over  
17 liability may be used as a credit against the taxpayer's income  
18 tax liability in subsequent years until exhausted. Every claim,  
19 including amended claims, for a tax credit under this section  
20 shall be filed on or before the end of the twelfth month  
21 following the close of the taxable year for which the credit may



1 be claimed. Failure to comply with the foregoing provision  
2 shall constitute a waiver of the right to claim the credit.

3 (d) A taxpayer is eligible to claim the credit against tax  
4 provided in this section if the taxpayer converts a motor  
5 vehicle that is presently registered in Hawaii to operate:

6 (1) Exclusively on a low emission energy-efficient fuel;  
7 or

8 (2) In a dual fuel mode.

9 (e) The total amount of any credit allowed under this  
10 section shall not exceed fifty per cent of the actual cost of  
11 converting from a traditionally-fueled motor vehicle to a low  
12 emission energy-efficient vehicle or \$2,500, whichever is less.

13 (f) The maximum total credit allowed for a low emission  
14 energy-efficient vehicle conversion is \$2,500.

15 (g) The director shall prepare any forms that may be  
16 necessary to claim a credit under this section. The director may  
17 also require the taxpayer to furnish information to ascertain  
18 the validity of any claim for credit made under this section and  
19 shall adopt rules necessary to effectuate the purposes of this  
20 section pursuant to chapter 91.

21 (h) As used in this section:

22 (1) "Low emission energy-efficient fuel" includes:



- 1            (A) Biodiesel;
- 2            (B) Compressed natural gas;
- 3            (C) Liquified natural gas;
- 4            (D) Liquified petroleum gas;
- 5            (E) Methanol;
- 6            (F) Ethanol;
- 7            (G) Fuel mixtures that contain eighty-five percent or
- 8            more by volume, when combined with gasoline or
- 9            other fuels, of the following:
- 10            (i) Methanol;
- 11            (ii) Ethanol; or
- 12            (iii) Other types of alcohol;
- 13            (H) Coal-derived liquid fuels; and
- 14            (I) Electricity; and
- 15            (2) "Low emission energy-efficient vehicle" means a motor
- 16            vehicle that as a retrofitted or converted vehicle:
- 17            (A) Is capable of operating on one or more low
- 18            emission energy-efficient fuels; or
- 19            (B) Is capable of operating on low emission
- 20            energy-efficient fuel and is also capable of
- 21            operating on gasoline or diesel fuel."

22            SECTION 3. New statutory material is underscored.

1 SECTION 4. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2005.



**Report Title:**

Tax Credit; Purchase of Hybrid Conversion Equipment

**Description:**

Provides tax credit for the purchase of conversion equipment, including the cost of conversion, up to fifty percent of the cost or \$2,500. (SD1)

