
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to part I to be appropriately
3 designated and to read as follows:

4 "§235- Renewable energy technologies; income tax
5 credit; residential rental units. (a) When the requirements of
6 subsections (b) and (d) are met, each individual or corporate
7 resident taxpayer that files an individual or corporate net
8 income tax return for a taxable year may claim a tax credit
9 under this section against the Hawaii state individual or
10 corporate net income tax. The tax credit may be claimed for
11 every eligible renewable energy technology system that is
12 installed and placed into service by a taxpayer in a single-
13 family residential rental unit or a multi-family residential
14 rental unit during the taxable year. The tax credit shall be
15 available for systems installed and placed in service after
16 January 1, 2006.

17 (b) The tax credit shall be equal to the actual cost of
18 the renewable energy system; provided that:



1 (1) The taxpayer may only claim up to twenty per cent of
2 the actual cost of the renewable energy technology
3 system in a given taxable year, up to a maximum of
4 five taxable years; and

5 (2) The residential unit for which the tax credit is being
6 claimed is maintained as a rental unit throughout the
7 time period for which the tax credit is being claimed.

8 (c) If the tax credit for a single system is claimed by
9 multiple owners of a single-family residential rental unit or a
10 multi-family residential rental unit, the multiple owners shall
11 be entitled to a single tax credit. The tax credit shall be
12 apportioned between the owners in proportion to their
13 contribution to the cost of the system.

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

20 (d) The dollar amount of any new federal energy tax credit
21 similar to the credit provided in this section that is
22 established after January 1, 2006, and any utility rebate, shall



1 be deducted from the cost of the qualifying system and its
2 installation before applying the state tax credit.

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

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

21 (g) If, at any time during the period in which tax credits
22 are earned under this section, the residential rental unit is



1 taken out of the rental housing market, the tax credit claimed
2 under this section shall be recaptured. The recapture shall be
3 equal to one hundred per cent of the total tax credit claimed
4 under this section for the preceding taxable year; provided that
5 the amount of the credits recaptured shall apply only to the
6 taxable year for which the residential rental unit is taken out
7 of the rental housing market. The amount of the recaptured tax
8 credits determined under this subsection shall be added to the
9 taxpayer's tax liability for the taxable year in which the
10 recapture occurs under this subsection.

11 (h) By or before December 1, 2008, to the extent feasible,
12 using existing resources to assist the energy-efficiency policy
13 review and evaluation, the department shall assist with data
14 collection on the following:

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

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

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

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



1 (A) Technology type; and

2 (B) Taxpayer type.

3 (i) For the purposes of this section:

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

10 "Renewable energy technology system" means a new system
11 that captures and converts a renewable source of energy, such as
12 wind, heat (solar thermal), or light (photovoltaic) from the sun
13 into:

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

15 (2) Electricity; or

16 (3) Fuel.

17 "Solar or wind energy system" means any identifiable
18 facility, equipment, apparatus, or the like that converts
19 insolation or wind energy to useful thermal or electrical energy
20 for heating, cooling, or reducing the use of other types of
21 energy that are dependent upon fossil fuel for their
22 generation."



1 SECTION 2. New statutory material is underscored.

2 SECTION 3. This Act shall take effect upon its approval
3 and shall apply to taxable years beginning after December 31,
4 2005.

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INTRODUCED BY:

Norman Sakuma
J. Glenn Eglish
 Clarence K. Washburn
A.B.T.
 Anna Inoué
Greg L. Hansen
 Rosalyn D. Baker
Erzanne Chun Oakland
 Will Gay



Report Title:

Income Taxation; Tax Credit; Renewable Energy; Rental Units

Description:

Establishes an income tax credit for taxpayers who install a renewable energy unit in a residential rental unit. Allows taxpayer to claim 20% of the total cost of the system as a credit against income tax for up to 5 years. Requires that the residential unit using the renewable energy system remain in the rental market for at least 5 years.

