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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Chapter 237, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:  
4           "§237-       Exemption for certain machinery and equipment  
5 used directly in the generation of electricity. (a) The tax  
6 imposed under this chapter shall not apply to sales of machinery  
7 and equipment used directly in the generation of electricity  
8 using fuel cells, wind, the sun, or landfill gas as the  
9 principal source of power, or to sales of or charges made for  
10 labor and services rendered with respect to the installation of  
11 such machinery and equipment; provided that the purchaser  
12 develops with such machinery, equipment, and labor a facility  
13 capable of generating not less than two hundred watts of  
14 electricity and provides the seller with an exemption  
15 certificate in a form and manner prescribed by the department.  
16 The seller shall retain a copy of the certificate for the  
17 seller's files.



1        (b) Machinery and equipment shall be considered to be used  
2 directly in the generation of electricity using fuel cells,  
3 wind, the sun, or landfill gas; provided that it:

4        (1) Provides any part of the process that captures the  
5 energy of wind, the sun, or landfill gas;

6        (2) Converts that energy to electricity; and

7        (3) Stores, transforms, or transmits that electricity for  
8 entry into or operation in parallel with electric  
9 transmission and distribution systems.

10       (c) As used in this section:

11       "Fuel cell" means a device that uses an electrochemical  
12 reaction that generates electricity by combining atoms of  
13 hydrogen and oxygen in the presence of a catalyst.

14       "Landfill gas" means biomass fuel of the type qualified for  
15 federal tax credits under 26 U.S.C. section 29 collected from a  
16 landfill.

17       "Machinery and equipment" means industrial fixtures,  
18 devices, and support facilities that are integral and necessary  
19 to the generation of electricity using wind, the sun, or  
20 landfill gas as the principal source of power.

21       "Machinery and equipment" does not include:

22       (1) Hand-powered tools;



- 1        (2) Property with a useful life of less than one year;
- 2        (3) Repair parts required to restore machinery and
- 3        equipment to normal working order;
- 4        (4) Replacement parts that do not increase productivity,
- 5        improve efficiency, or extend the useful life of
- 6        machinery and equipment;
- 7        (5) Buildings; or
- 8        (6) Building fixtures that are not integral and necessary
- 9        to the generation of electricity that are permanently
- 10       affixed to and become a physical part of a building."

11       SECTION 2. Chapter 238, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14       "§238- Exemption for certain machinery and equipment  
15 used directly in the generation of electricity. (a) The tax  
16 imposed under this chapter shall not apply to sales of machinery  
17 and equipment used directly in the generation of electricity  
18 using fuel cells, wind, the sun, or landfill gas as the  
19 principal source of power, or to sales of or charges made for  
20 labor and services rendered with respect to the installation of  
21 such machinery and equipment; provided that the purchaser  
22 develops with such machinery, equipment, and labor a facility



1 capable of generating not less than two hundred watts of  
2 electricity and provides the seller with an exemption  
3 certificate in a form and manner prescribed by the department.  
4 The seller shall retain a copy of the certificate for the  
5 seller's files.

6 (b) Machinery and equipment shall be considered to be used  
7 directly in the generation of electricity using fuel cells,  
8 wind, the sun, or landfill gas; provided that it:

9 (1) Provides any part of the process that captures the  
10 energy of wind, the sun, or landfill gas;

11 (2) Converts that energy to electricity; and

12 (3) Stores, transforms, or transmits that electricity for  
13 entry into or operation in parallel with electric  
14 transmission and distribution systems.

15 (c) As used in this section:

16 "Fuel cell" means a device that uses an electrochemical  
17 reaction that generates electricity by combining atoms of  
18 hydrogen and oxygen in the presence of a catalyst.

19 "Landfill gas" means biomass fuel of the type qualified for  
20 federal tax credits under 26 U.S.C. section 29 collected from a  
21 landfill.



1       "Machinery and equipment" means industrial fixtures,  
2 devices, and support facilities that are integral and necessary  
3 to the generation of electricity using wind, the sun, or  
4 landfill gas as the principal source of power.

5       "Machinery and equipment" does not include:

- 6       (1) Hand-powered tools;  
7       (2) Property with a useful life of less than one year;  
8       (3) Repair parts required to restore machinery and  
9       equipment to normal working order;  
10       (4) Replacement parts that do not increase productivity,  
11       improve efficiency, or extend the useful life of  
12       machinery and equipment;  
13       (5) Buildings; or  
14       (6) Building fixtures that are not integral and necessary  
15       to the generation of electricity that are permanently  
16       affixed to and become a physical part of a building."

17       SECTION 3. New statutory material is underscored.

18       SECTION 4. This Act shall take effect on January 1, 2009;  
19 provided that it shall be repealed on December 31, 2013.

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INTRODUCED BY:

*John M. Pizzaro*  
JAN 14 2008



**Report Title:**

Tax Exemptions; Direct Generation of Electricity Using Fuel Cells, Wind, Sun, or Landfill Gas

**Description:**

Exempts from the general excise tax and use tax all equipment used directly in the generation of electricity using fuel cells, wind energy, solar energy, or landfill gas.

