
A BILL FOR AN ACT

RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT.

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 (c) are met,
5 each individual or corporate taxpayer that files an individual or
6 corporate net income tax return for a taxable year may claim a
7 nonrefundable tax credit under this section against the Hawaii
8 state individual or corporate net income tax[-], except as
9 provided in subsection (e). The tax credit may be claimed for
10 every eligible renewable energy technology system that is
11 installed and placed in service in the State by a taxpayer during
12 the taxable year. This credit shall be available for systems
13 installed and placed in service in the State after June 30, 2003.
14 The tax credit may be claimed as follows:

15 (1) Solar thermal energy systems for:

1 (A) Single-family residential property: thirty-five
2 per cent of the actual cost or \$2,250, whichever
3 is less;

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

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

9 (2) Wind-powered energy systems for:

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

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

16 (C) Commercial property: twenty per cent of the
17 actual cost or \$500,000, whichever is less; and

18 (3) Photovoltaic energy systems for:

19 (A) Single-family residential property: thirty-five
20 per cent of the actual cost or \$5,000, whichever
21 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 \$500,000, whichever is less;
6 provided that multiple owners of a single system shall be
7 entitled to a single tax credit; and provided further that the
8 tax credit shall be apportioned between the owners in proportion
9 to their contribution to the cost of the system.

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

17 (b) For the purposes of this section:

18 "Actual cost" means costs related to the renewable energy
19 technology systems under subsection (a), including accessories
20 and installation, but not including the cost of consumer
21 incentive premiums unrelated to the operation of the system or

1 offered with the sale of the system and costs for which another
2 credit is claimed under this chapter.

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

- 6 (1) A usable source of thermal or mechanical energy;
7 (2) Electricity; or
8 (3) Fuel.

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

14 (c) For taxable years beginning after December 31, 2005,
15 the dollar amount of any utility rebate shall be deducted from
16 the cost of the qualifying system and its installation before
17 applying the state tax credit.

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

1 require the taxpayer to furnish reasonable information to
2 ascertain the validity of the claim for credit made under this
3 section and may adopt rules necessary to effectuate the purposes
4 of this section pursuant to chapter 91.

5 (e) If the tax credit under this section exceeds the
6 taxpayer's income tax liability, the excess of the credit over
7 liability may be used as a credit against the taxpayer's income
8 tax liability in subsequent years until exhausted[-]; provided
9 that tax credits properly claimed by an individual taxpayer shall
10 be refunded to the taxpayer after being credited against the
11 taxpayer's income tax liability for the taxable year, if the
12 taxpayer qualifies under one of the following tests:

- 13 (1) All of the taxpayer's income is exempt from taxation
14 under section 235-7(a)(2) or (3); or
15 (2) The taxpayer's adjusted gross income is \$20,000 or
16 less. For purposes of this paragraph, a husband and
17 wife filing a joint return shall each be treated as
18 separate taxpayers.

19 (f) All claims for the tax credit under this section,
20 including amended claims, shall be filed on or before the end of
21 the twelfth month following the close of the taxable year for
22 which the credit may be claimed. Failure to comply with this

1 subsection shall constitute a waiver of the right to claim the
2 credit.

3 [~~f~~] (g) [~~By or before December, 2005, to~~] To the extent
4 feasible, using existing resources to assist the energy-
5 efficiency policy review and evaluation, the department shall
6 assist with data collection on the following:

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

10 (A) Technology type (solar thermal, photovoltaic from
11 the sun, and wind); and

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

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

15 (A) Technology type; and

16 (B) Taxpayer type. "

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

19 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

Calvin K. Say
BY REQUEST
JAN 22 2008

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Report Title:

Refundable Renewable Energy Tax Credit.

Description:

Allows a taxpayer with an adjusted gross income of \$20,000 or less to take a refundable tax credit for the purchase and installation of a renewable energy technology, which includes solar water heating, photovoltaic, and wind systems.

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT.

PURPOSE: Allows residential taxpayers with adjusted gross incomes of \$20,000 or less to claim a refund for the purchase and installation of a renewable energy system.

MEANS: Amend section 235-12.5., Hawaii Revised Statutes.

JUSTIFICATION: Homeowners with limited or fixed incomes would benefit from the use of solar water heating or other renewable energy system to reduce their utility costs. Under the present statute, residential taxpayers who do not have a tax liability do not benefit from the renewable energy tax credits. With this proposed bill, the tax credits will be refundable to offset the cost of the renewable system.

Impact on the public: Residential taxpayers who do not have tax liabilities, such as those on fixed incomes and some low-income households, will be able to purchase a renewable energy system and receive a refund equal to the tax credit to help offset the upfront cost to purchase and install the renewable energy system.

Impact on the department and other agencies: The Department of Taxation would implement the bill. Language for this bill was provided by the Department of Taxation.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED-120.

OTHER AFFECTED

AGENCIES:

Department of Taxation.

EFFECTIVE DATE:

Upon approval.