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# A BILL FOR AN ACT

RELATING TO INCOME TAXATION.

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

1 SECTION 1. Section 235-12.5, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

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

14 (1) Solar thermal energy systems for:

15 (A) Single-family residential property: thirty-five  
16 per cent of the actual cost or \$2,250, whichever  
17 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 \$500,000, 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 \$5,000, whichever
- 18 is less;
- 19 (B) Multi-family residential property: thirty-five
- 20 per cent of the actual cost or \$350 per unit,
- 21 whichever is less; and



1 (C) Commercial property: thirty-five per cent of the  
2 actual cost or \$500,000, whichever is less;  
3 provided that multiple owners of a single system shall be  
4 entitled to a single tax credit; and provided further that the  
5 tax credit shall be apportioned between the owners in proportion  
6 to their contribution to the cost of the system.

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

14 SECTION 2. Section 235-129, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 "**§235-129 Tax credits.** (a) For purposes of section 235-  
17 55, each resident shareholder shall be considered to have paid a  
18 tax imposed on the shareholder in an amount equal to the  
19 shareholder's pro rata share of any net income tax paid by the S  
20 corporation to a state [~~which~~] that does not measure the income  
21 of S corporation shareholders by the income of the S  
22 corporation. For purposes of the preceding sentence, the term



1 "net income tax" means any tax imposed on or measured by a  
2 corporation's net income.

3 (b) Each shareholder of an S corporation shall be allowed  
4 a credit against the tax imposed by section 235-51 in an amount  
5 equal to the shareholder's pro rata share of the tax [~~credits~~  
6 ~~described in sections 209E-10, 235-12, 235-71(c), 235-55.91,~~  
7 ~~235-110.6, 235-110.7, and 235-110.8. With the exception of the~~  
8 ~~credit allowed by section 235-12, nonresident shareholders shall~~  
9 ~~be allowed the credits allowed to resident shareholders which~~  
10 ~~are earned by the S corporation in this State. The credit~~  
11 ~~allowed by section 235-12 shall be allowed to nonresident~~  
12 ~~shareholders to the extent the credit is earned by virtue of~~  
13 ~~property purchased and placed in service in this State.] credit  
14 earned by the S corporation in this state."~~

15 SECTION 3. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 4. This Act shall take effect upon its approval  
18 and shall apply to taxable years beginning after December 31,  
19 2007.



**Report Title:**

Renewable Energy Technology; Income Tax Credit

**Description:**

Establishes that all energy technology systems must be installed and placed in service in the State of Hawaii to obtain the State's income tax energy tax credit. Also expands tax credits applicable to shareholder pro rata shares in S corporations.  
(SB1222 HD2)

