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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  
18 a 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, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2006.



**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. (SD1)



Honolulu, Hawaii

FEB 08 2007

RE: S.B. No. 11  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committees on Health and Intergovernmental and Military Affairs, to which was referred S.B. No. 11 entitled:

"A BILL FOR AN ACT RELATING TO EXCISE TAX ON HEALTH CARE,"

beg leave to report as follows:

The purpose of this measure is to decrease the financial burden of health care costs on patients in the State.

Your Committees received testimony in support of this measure from Hawaii Medical Association, the Hawaii Society of Clinical Oncology, Healthcare Association of Hawaii, and ten individuals. The Hawaii Coalition of Care Home Administrators submitted testimony in support of the intent of this measure with recommendations. The Department of Taxation submitted testimony with comments on this measure.

Your Committees find that the costs of health care services are increasing, as are the number of uninsured individuals and their ability to pay for these services. Your Committees further find that health care services are necessities to living, not a luxury, and; therefore, should not be subject to taxation.

Your Committees intend to accomplish the purpose of this measure by exempting all medical services performed or provided by a licensed medical practitioner, hospital, medical facility, nursing home or facility, or rehabilitation facility from the county surcharge on the state general excise tax.



The Department of Taxation submitted a fiscal impact statement regarding this measure indicating that the revenues derived from the Honolulu County surcharge on the general excise tax will be lowered by approximately \$9 million for fiscal year 2008 and beyond. The department further stated that this measure will impact the general fund by a loss of approximately \$900,000, or ten per cent of the surcharge collected.

Your Committees amended this measure by making a technical, nonsubstantive amendment and changing the effective date for the purpose of encouraging further discussion.

As affirmed by the records of votes of the members of your Committees on Health and Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 11, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 11, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on  
behalf of the members of the  
Committees on Health and  
Intergovernmental and Military  
Affairs,


  
LORRAINE R. INOUE, Chair

  
DAVID Y. IGE, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

Record of Votes  
 Committee on Health  
 HTH


Bill / Resolution No.:*	Committee Referral:	Date:		
SB 11	HTH/IGM, EDT, WAM	1/31/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
FUKUNAGA, Carol (VC)	✓			
BAKER, Rosalyn H.	✓			
MENOR, Ron				✓
WHALEN, Paul	✓			
<b>TOTAL</b>	<b>4</b>			<b>1</b>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

\*Only one measure per Record of Votes



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Intergovernmental and Military Affairs**  
**IGM**

Bill / Resolution No.:* <b>SB 11</b>	Committee Referral: <b>HTH/IGM, EDT, WAM</b>	Date: <b>1/31/07</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
INOUE, Lorraine R. (C)	/			
TSUTSUI, Shan S. (VC)	/			
HEMMINGS, Fred	/			
<b>TOTAL</b>				
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original     Yellow     Pink File with Committee Report     Clerk's Office     Drafting Agency				

\*Only one measure per Record of Votes