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# 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  
6 or corporate net income tax return for a taxable year may claim  
7 a 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  
12 during the taxable year. This credit shall be available for  
13 systems installed and placed in service in the State after  
14 June 30, 2003. The tax credit may be claimed as follows:

15 (1) Solar thermal energy systems for:

16 (A) Single-family residential property: thirty-five  
17 per cent of the actual cost or \$2,250, whichever  
18 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           (b) For the purposes of this section:

15           "Actual cost" means costs related to the renewable energy  
16 technology systems under subsection (a), including accessories  
17 and installation, but not including the cost of consumer  
18 incentive premiums unrelated to the operation of the system or  
19 offered with the sale of the system and costs for which another  
20 credit is claimed under this chapter.

21           "Renewable energy technology system" means a new system  
22 that captures and converts a renewable source of energy, such as



1 wind, heat (solar thermal), or light (photovoltaic) from the sun  
2 into:

- 3 (1) A usable source of thermal or mechanical energy;
- 4 (2) Electricity; or
- 5 (3) Fuel.

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

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

15 (d) The director of taxation shall prepare any forms that  
16 may be necessary to claim a tax credit under this section,  
17 including forms identifying the technology type of each tax  
18 credit claimed under this section, whether for solar thermal,  
19 photovoltaic from the sun, or wind. The director may also  
20 require the taxpayer to furnish reasonable information to  
21 ascertain the validity of the claim for credit made under this



1 section and may adopt rules necessary to effectuate the purposes  
2 of this section pursuant to chapter 91.

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

11 (1) All of the taxpayer's income is exempt from taxation  
12 under section 235-7(a)(2) or (3); or

13 (2) The taxpayer's adjusted gross income is \$20,000 or  
14 less. For purposes of this paragraph, a husband and  
15 wife filing a joint return shall each be treated as  
16 separate taxpayers.

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



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

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

8            (A) Technology type (solar thermal, photovoltaic from  
9            the sun, and wind); and

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

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

13            (A) Technology type; and

14            (B) Taxpayer type."

15        SECTION 2. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17        SECTION 3. This Act, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2007.



**Report Title:**

Refundable Renewable Energy Tax Credit

**Description:**

Allows a taxpayer whose sole source of income is derived from pension benefits or 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. (SD1)

