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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. Section 235-12.5, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "§235-A Rainwater harvesting technologies; income tax

4 credit. (a) When the requirements of subsection (d) 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 tax credit under this section against the Hawaii state  
8 individual or corporate net income tax. The tax credit may be  
9 claimed for every eligible rainwater harvesting technology  
10 system that is installed and placed in service in the State by a  
11 taxpayer during the taxable year. The tax credit may be claimed  
12 as follows:

13           (1) For each rainwater harvesting system: thirty-five per  
14 cent of the actual cost or the cap amount determined  
15 in subsection (b), whichever is less; provided that  
16 multiple owners of a single system shall be entitled  
17 to a single tax credit; and provided further that the  
18 tax credit shall be apportioned between the owners in



1           proportion to their contribution to the cost of the  
2           system.

3           In the case of a partnership, S corporation, estate, or  
4           trust, the tax credit allowable is for every eligible renewable  
5           energy technology system that is installed and placed in service  
6           in the State by the entity. The cost upon which the tax credit  
7           is computed shall be determined at the entity level.

8           Distribution and share of credit shall be determined pursuant to  
9           section 235-110.7(a).

10           (b) The amount of credit allowed for each eligible  
11           rainwater harvesting technology system shall not exceed the  
12           applicable cap amount, which is determined as follows:

13                   (1) \$2,250 per system for single-family residential  
14                   property;

15                   (2) \$350 per unit per system for multi-family  
16                   residential property; and

17                   (3) \$250,000 per system for commercial property.

18           (c) For the purposes of this section:

19           "Actual cost" means costs related to the rainwater  
20           harvesting technology systems under subsection (a), including  
21           accessories and installation, but not including the cost of  
22           consumer incentive premiums unrelated to the operation of the



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

3 "Household use" means any use to which water is commonly  
4 put in a residential setting, including commercial application  
5 of those uses.

6 "Rainwater harvesting technology system" means a new system  
7 that captures rainwater for:

8 (1) A usable source of mechanical energy;

9 (2) Household uses;

10 (3) Irrigation;

11 (4) Livestock watering; or

12 (5) Fire suppression

13 (d) The director of taxation shall prepare any forms that  
14 may be necessary to claim a tax credit under this section,  
15 including forms identifying the technology type of each tax  
16 credit claimed under this section, whether for solar or wind.

17 The director may also require the taxpayer to furnish reasonable  
18 information to ascertain the validity of the claim for credit  
19 made under this section and may adopt rules necessary to  
20 effectuate the purposes of this section pursuant to chapter 91.

21 (e) If the tax credit under this section exceeds the  
22 taxpayer's income tax liability, the excess of the credit over



1 liability may be used as a credit against the taxpayer's income  
2 tax liability in subsequent years until exhausted, unless  
3 otherwise elected by the taxpayer pursuant to subsection (f) or  
4 (g). All claims for the tax credit under this section,  
5 including amended claims, shall be filed on or before the end of  
6 the twelfth month following the close of the taxable year for  
7 which the credit may be claimed. Failure to comply with this  
8 subsection shall constitute a waiver of the right to claim the  
9 credit.

10 (f) A taxpayer may elect to reduce the eligible credit  
11 amount under this section by thirty per cent and if this reduced  
12 amount exceeds the amount of income tax payment due from the  
13 taxpayer, the excess of the credit amount over payments due  
14 shall be refunded to the taxpayer; provided that tax credit  
15 amounts properly claimed by a taxpayer who has no income tax  
16 liability shall be paid to the taxpayer; and provided further  
17 that no refund on account of the tax credit allowed by this  
18 section shall be made for amounts less than \$1.

19 The election required by this subsection shall be made in a  
20 manner prescribed by the director on the taxpayer's return for  
21 the taxable year in which the system is installed and placed in  
22 service. A separate election may be made for each separate



1 system that generates a credit. An election once made is  
2 irrevocable.

3 (g) Notwithstanding subsection (f), for any rainwater  
4 harvesting technology system, an individual taxpayer may elect  
5 to have any excess of the credit over payments due refunded to  
6 the taxpayer, if:

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

9 (2) The taxpayer's adjusted gross income is \$20,000 or  
10 less (or \$40,000 or less if filing a tax return as  
11 married filing jointly);

12 provided that tax credits properly claimed by a taxpayer who has  
13 no income tax liability shall be paid to the taxpayer; and  
14 provided further that no refund on account of the tax credit  
15 allowed by this section shall be made for amounts less than \$1.

16 A husband and wife who do not file a joint tax return shall  
17 only be entitled to make this election to the extent that they  
18 would have been entitled to make the election had they filed a  
19 joint tax return.

20 The election required by this subsection shall be made in a  
21 manner prescribed by the director on the taxpayer's return for  
22 the taxable year in which the system is installed and placed in



1 service. A separate election may be made for each separate  
2 system that generates a credit. An election once made is  
3 irrevocable.

4 (h) To the extent feasible, the department shall assist  
5 with data collection on the following for each taxable year:

6 (1) The number of rainwater harvesting technology  
7 systems that have qualified for a tax credit  
8 during the calendar year by:

9 (A) Technology type; and

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

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

14 (A) Technology type; and

15 (B) Taxpayer type.

16 (i) This section shall apply to eligible rainwater  
17 harvesting technology systems that are installed and placed in  
18 service on or after July 1, 2010."

19 SECTION 3. New statutory material is underscored.

20 SECTION 4. This Act shall take effect on July 1, 2010.

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# H.B. NO. 2755

INTRODUCED BY:



JAN 26 2010



**Report Title:**

Taxation

**Description:**

Establishes a tax credit for new rainwater harvesting technologies.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

