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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. The legislature supports the use of renewable  
2 energy technologies and understands the need to encourage greater  
3 use of renewable energy technology systems. In 2003, an income  
4 tax credit was established to offset the cost of installing and  
5 placing renewable energy technology systems into service in  
6 Hawaii. The credit has been successful in helping encourage the  
7 adoption of renewable technologies and in helping establish an  
8 important new leg of the State's economy. Nonetheless, as with  
9 all measures intended to help support a nascent industry to  
10 achieve scale and become self-sustaining, the legislature is  
11 concerned that the incentive provided by section 235-12.5, Hawaii  
12 Revised Statutes, will remain in place after the industries it  
13 supports no longer require it for financial viability.

14           To send a clear signal to the industry about the State's  
15 commitment to these industries and about the State's concern over  
16 their longer-term need to be self-sustaining while also addressing  
17 challenges facing the State during the current fiscal biennium,



1 this Act establishes provisions to evaluate and adjust these  
2 credits.

3 Accordingly, the purpose of this Act is to:

- 4 (1) Shift a portion of the payout for refundable credits  
5 claimed during the 2012 tax year into the State's 2013-  
6 2014 fiscal year;
- 7 (2) Establish a sunset provision following the 2016 tax  
8 year;
- 9 (3) Require tax credits to be claimed in the taxable year  
10 that is two years following the taxable year in which  
11 the cost was incurred;
- 12 (4) Narrow the scope of the tax credit for individuals by  
13 limiting the availability of the tax credit to residents  
14 of the State;
- 15 (5) Establish a reporting requirement following the 2013 tax  
16 year; and
- 17 (6) Conduct an evaluation of the effectiveness and ongoing  
18 need for the credit to be prepared in advance of the  
19 2016 regular session.

20 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is  
21 amended as follows:

22 1. By amending subsection (a) to read:



1           "(a) When the requirements of subsection (d) are met, each  
2 individual who is a resident of the State or corporate taxpayer  
3 that files an individual or corporate net income tax return for a  
4 taxable year may claim a tax credit under this section against the  
5 Hawaii state individual or corporate net income tax. The tax  
6 credit may be claimed for every eligible renewable energy  
7 technology system that is installed and placed in service in the  
8 State by a taxpayer during the taxable year. The tax credit may  
9 be claimed as follows:

10           (1) For each solar energy system: thirty-five per cent of  
11 the actual cost or the cap amount determined in  
12 subsection (b), whichever is less; or

13           (2) For each wind-powered energy system: twenty per cent of  
14 the actual cost or the cap amount determined in  
15 subsection (b), whichever is less;

16 provided that the eligible system is installed and placed in  
17 service prior to January 1, 2017; provided further that refundable  
18 credits claimed during the 2012 taxable year will be paid  
19 beginning July 1, 2013; provided further that refundable credits  
20 must be claimed in the taxable year that is two years following  
21 the taxable year in which the cost was incurred; provided further  
22 that multiple owners of a single system shall be entitled to a



1 single tax credit; and provided further that the tax credit shall  
2 be apportioned between the owners in proportion to their  
3 contribution to the cost of the system.

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

11 2. By amending subsection (j) to read:

12 "(j) To the extent feasible, using existing resources [~~to~~  
13 ~~assist the energy efficiency policy review and evaluation~~], the  
14 department of business, economic development, and tourism shall  
15 [~~assist with data collection on the following for each taxable~~  
16 ~~year:~~

17 ~~(1) The number of renewable energy technology systems that~~  
18 ~~have qualified for a tax credit during the calendar year~~

19 ~~by:~~

20 ~~(A) Technology type; and~~

21 ~~(B) Taxpayer type (corporate and individual); and~~



1       ~~(2) The total cost of the tax credit to the State during the~~  
2           ~~taxable year by:~~  
3           ~~(A) Technology type; and~~  
4           ~~(B) Taxpayer type.]~~  
5       complete an assessment, by October 1, 2014, of the impact of the  
6       tax credit on the State's energy sector for the period 2003-2013  
7       and of the continued need for the tax credit after December 31,  
8       2016. In conducting the study, the department shall report on:  
9           (1) The total number of systems claiming the tax credit by  
10           year and technology;  
11           (2) Total megawatts generated or offset by systems claiming  
12           the tax credit by year and technology;  
13           (3) Total reduction in barrels of oil imported as a result  
14           of the deployment of renewable energy technology systems  
15           claiming the tax credit by year and technology;  
16           (4) Dollar value of savings resulting from reduced oil  
17           exports by year and technology;  
18           (5) Trends in the cost of electricity provided by the  
19           State's electric utilities, fuel oil, biofuels used in  
20           the State for electricity production, and the installed  
21           cost of renewable energy technology systems that qualify  
22           for the tax credit; and



1        (6) Its recommendations regarding the continued need for the  
2            tax credit in light of the costs and benefits it brings  
3            to the State."

4        SECTION 3. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6        SECTION 4. This Act shall take effect upon its approval.



**Report Title:**

Renewable Energy Technology System; Income Tax Credit

**Description:**

Requires a renewable energy technology system to be placed in service prior to January 1, 2017, to be eligible for the renewable energy tax credit. Delays the beginning of the payout for tax credits claimed in 2012 to July 1, 2013. Requires tax credits to be claimed in the taxable year that is two years following the taxable year in which the cost was incurred. Requires Department of Business, Economic Development and Tourism to complete an assessment on the effectiveness and ongoing need for the tax credit. (HB566 HD2)

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