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



1 biennium, this Act establishes provisions to evaluate and adjust
2 these 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 fiscal year;
- 7 (2) Establish a sunset provision following the 2016 tax
8 year;
- 9 (3) Establish a reporting requirement following the 2013 tax
10 year; and
- 11 (4) Conduct an evaluation of the effectiveness and ongoing
12 need for the credit to be prepared in advance of the
13 2016 regular session.

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

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

17 "(a) When the requirements of subsection (d) are met, each
18 individual or corporate taxpayer that files an individual or
19 corporate net income tax return for a taxable year may claim a tax
20 credit under this section against the Hawaii state individual or
21 corporate net income tax. The tax credit may be claimed for every
22 eligible renewable energy technology system that is installed and



1 placed in service in the State by a taxpayer during the taxable
2 year. The tax credit may be claimed as follows:

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

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

9 provided that the eligible system is installed and placed in
10 service prior to January 1, 2017; provided further that refundable
11 credits claimed during the 2012 taxable year will be paid starting
12 July 1, 2013; provided further that multiple owners of a single
13 system shall be entitled to a single tax credit; and provided
14 further that the tax credit shall be apportioned between the
15 owners in proportion to their contribution to the cost of the
16 system.

17 In the case of a partnership, S corporation, estate, or
18 trust, the tax credit allowable is for every eligible renewable
19 energy technology system that is installed and placed in service
20 in the State by the entity. The cost upon which the tax credit is
21 computed shall be determined at the entity level. Distribution



1 and share of credit shall be determined pursuant to section 235-
2 110.7(a)."

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

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

9 ~~(1) The number of renewable energy technology systems that~~
10 ~~have qualified for a tax credit during the calendar year~~
11 ~~by:~~

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

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

14 ~~(2) The total cost of the tax credit to the State during the~~
15 ~~taxable year by:~~

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

17 ~~(B) Taxpayer type.]~~

18 complete an assessment, by October 1, 2014, of the impact of the
19 tax credit on the State's energy sector for the period 2003-2013
20 and of the continued need for the tax credit after December 31,
21 2016. In conducting the study, the department shall report on:



- 1 (1) The total number of systems claiming the tax credit by
- 2 year and technology;
- 3 (2) Total megawatts generated or offset by systems claiming
- 4 the tax credit by year and technology;
- 5 (3) Total reduction in barrels of oil imported as a result
- 6 of the deployment of renewable energy technology systems
- 7 claiming the tax credit by year and technology;
- 8 (4) Dollar value of savings resulting from reduced oil
- 9 exports by year and technology;
- 10 (5) Trends in the cost of electricity provided by the
- 11 State's electric utilities, fuel oil, biofuels used in
- 12 the State for electricity production, and the installed
- 13 cost of renewable energy technology systems that qualify
- 14 for the tax credit; and
- 15 (6) Its recommendations regarding the continued need for the
- 16 tax credit in light of the costs and benefits it brings
- 17 to the State."

18 SECTION 3. Statutory material to be repealed is bracketed
 19 and stricken. New statutory material is underscored.

20 SECTION 4. This Act, 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 December 31, 2016, to be eligible for the renewable energy tax credit. Delays the beginning of the payout for refundable tax credits claimed in 2012 to July 1, 2013. Requires Department of Business, Economic Development and Tourism to complete an assessment on the effectiveness and ongoing need for the renewable energy tax credit after 2016 by October 1, 2014. (HB566 HD1)

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