
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature recognizes the importance of
2 developing and utilizing renewable energy resources to reduce
3 dependence on imported fossil fuels and has taken steps to
4 encourage the development and use of renewable resources by
5 establishing the renewable energy technologies income tax
6 credit. However, fiscal responsibility must be exercised while
7 achieving the State's renewable energy goals. In 2011, the
8 renewable energy technologies income tax credit resulted in a
9 loss of \$40,000,000 in tax revenue.

10 The legislature believes that in addition to encouraging
11 the development and use of renewable energy technologies,
12 government should also develop and use renewable energy to power
13 its facilities. It would be more beneficial for government
14 agencies to purchase a renewable energy system, rather than to
15 enter into a power purchase agreement.

16 The purpose of this Act is to ensure the cost effectiveness
17 of renewable energy technology projects by:



- 1 (1) Disallowing a taxpayer to claim a tax credit for
- 2 renewable energy technologies for installing a
- 3 renewable energy system for, or entering into a power
- 4 purchase agreement with, a county, state, or federal
- 5 agency; and
- 6 (2) Authorizing the issuance of general obligation bonds
- 7 to purchase renewable energy systems for state
- 8 facilities.

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

11 **"§235-12.5 Renewable energy technologies; income tax**
 12 **credit.** (a) When the requirements of subsection (d) are met,
 13 each individual or corporate taxpayer that files an individual
 14 or corporate net income tax return for a taxable year may claim
 15 a tax credit under this section against the Hawaii state
 16 individual or corporate net income tax. The tax credit may be
 17 claimed for every eligible renewable energy technology system
 18 that is installed and placed in service in the State by a
 19 taxpayer during the taxable year. The tax credit may be claimed
 20 as follows:



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

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

7 provided that multiple owners of a single system shall be
8 entitled to a single tax credit; and provided further that the
9 tax credit shall be apportioned between the owners in proportion
10 to their contribution to the cost of the system.

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

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

18 (b) The amount of credit allowed for each eligible
19 renewable energy technology system shall not exceed the
20 applicable cap amount, which is determined as follows:



- 1 (1) If the primary purpose of the solar energy system is
2 to use energy from the sun to heat water for household
3 use, then the cap amounts shall be:
- 4 (A) \$2,250 per system for single-family residential
5 property;
- 6 (B) \$350 per unit per system for multi-family
7 residential property; and
- 8 (C) \$250,000 per system for commercial property;
- 9 (2) For all other solar energy systems, the cap amounts
10 shall be:
- 11 (A) \$5,000 per system for single-family residential
12 property; provided that if all or a portion of
13 the system is used to fulfill the substitute
14 renewable energy technology requirement pursuant
15 to section 196-6.5(a)(3), the credit shall be
16 reduced by thirty-five per cent of the actual
17 system cost or \$2,250, whichever is less;
- 18 (B) \$350 per unit per system for multi-family
19 residential property; and
- 20 (C) \$500,000 per system for commercial property; and
- 21 (3) For all wind-powered energy systems, the cap amounts
22 shall be:



1 (A) \$1,500 per system for single-family residential
2 property; provided that if all or a portion of
3 the system is used to fulfill the substitute
4 renewable energy technology requirement pursuant
5 to section 196-6.5(a)(3), the credit shall be
6 reduced by twenty per cent of the actual system
7 cost or \$1,500, whichever is less;

8 (B) \$200 per unit per system for multi-family
9 residential property; and

10 (C) \$500,000 per system for commercial property.

11 (c) For the purposes of this section:

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

18 "Household use" means any use to which heated water is
19 commonly put in a residential setting, including commercial
20 application of those uses.



1 "Renewable energy technology system" means a new system
2 that captures and converts a renewable source of energy, such as
3 solar or wind energy, into:

4 (1) A usable source of thermal or mechanical energy;

5 (2) Electricity; or

6 (3) Fuel.

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

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

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



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

3 (f) 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, unless
7 otherwise elected by the taxpayer pursuant to subsection (g) or
8 (h). All claims for the tax credit under this section,
9 including amended claims, shall be filed on or before the end of
10 the twelfth month following the close of the taxable year for
11 which the credit may be claimed. Failure to comply with this
12 subsection shall constitute a waiver of the right to claim the
13 credit.

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



1 The election required by this subsection shall be made in a
2 manner prescribed by the director on the taxpayer's return for
3 the taxable year in which the system is installed and placed in
4 service. A separate election may be made for each separate
5 system that generates a credit. An election once made is
6 irrevocable.

7 (h) Notwithstanding subsection (g), for any renewable
8 energy technology system, an individual taxpayer may elect to
9 have any excess of the credit over payments due refunded to the
10 taxpayer, if:

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 (or \$40,000 or less if filing a tax return as
15 married filing jointly);

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

20 A husband and wife who do not file a joint tax return shall
21 only be entitled to make this election to the extent that they



1 would have been entitled to make the election had they filed a
2 joint tax return.

3 The election required by this subsection shall be made in a
4 manner prescribed by the director on the taxpayer's return for
5 the taxable year in which the system is installed and placed in
6 service. A separate election may be made for each separate
7 system that generates a credit. An election once made is
8 irrevocable.

9 (i) No taxpayer shall be allowed a credit under this
10 section for the portion of the renewable energy technology
11 system required by section 196-6.5 that is installed and placed
12 in service on any newly constructed single-family residential
13 property authorized by a building permit issued on or after
14 January 1, 2010.

15 (j) No taxpayer shall be allowed to claim a tax credit
16 under this section for installing a renewable energy system for,
17 or entering into a power purchase agreement with, any county,
18 state, or federal agency.

19 ~~[(j)]~~ (k) To the extent feasible, using existing resources
20 to assist the energy-efficiency policy review and evaluation,
21 the department shall assist with data collection on the
22 following for each taxable year:



1 (1) The number of renewable energy technology systems that
2 have qualified for a tax credit during the calendar
3 year by:

4 (A) Technology type; and

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

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

8 (A) Technology type; and

9 (B) Taxpayer type.

10 [~~(*)~~] (1) This section shall apply to eligible renewable
11 energy technology systems that are installed and placed in
12 service on or after July 1, 2009."

13 SECTION 3. The director of finance is authorized to issue
14 general obligation bonds in the sum of \$ or so much
15 thereof as may be necessary and the same sum or so much thereof
16 as may be necessary is appropriated for fiscal year 2012-2013 to
17 purchase renewable energy systems for state facilities that are
18 operated by programs funded by general funds.

19 The sum appropriated shall be expended by the department of
20 accounting and general services for the purposes of this Act.

21 SECTION 4. The appropriation made for the capital
22 improvement project authorized by section 3 of this Act shall



1 not lapse at the end of the fiscal biennium for which the
2 appropriation is made; provided that all moneys from the
3 appropriation unencumbered as of June 30, 2014, shall lapse as
4 of that date.

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

7 SECTION 6. This Act shall take effect on July 1, 2030.



Report Title:

Renewable Energy Systems; Tax Credits; GO Bonds

Description:

Prohibits a taxpayer from claiming the renewable energy technologies income tax credit for a renewable energy system installed for, a power purchase agreement entered into with, any county, state, or federal agency. Authorizes the issuance of general obligation bonds for renewable energy systems for state facilities. Effective July 1, 2030. (HB2121 HD2)

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