
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, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) For taxable years beginning after December 31, 1989,
4 each individual or corporate resident taxpayer who files an
5 individual or corporate net income tax return for a taxable
6 year, may claim a tax credit under this section against the
7 Hawaii state individual or corporate net income tax. The tax
8 credit may be claimed as follows:

9 (1) For wind energy systems that are installed and placed
10 in service after December 31, 1989, but before July 1,
11 2003, the credit shall be twenty per cent of the
12 actual cost;

13 (2) For solar energy systems that are installed and placed
14 in service after December 31, 1989, but before July 1,
15 2003, on new and existing single family residential
16 buildings, the credit shall be in an amount not to
17 exceed thirty-five per cent or \$1,750, whichever is
18 less, of the actual cost of the solar energy system;



- 1 (3) For solar energy systems that are installed and placed
2 in service after December 31, 1989, but before July 1,
3 2003, on new and existing multiunit buildings used
4 primarily for residential purposes, the credit shall
5 be in an amount not to exceed thirty-five per cent or
6 \$350 per building unit, whichever is less, of the
7 actual cost of the solar energy system;
- 8 (4) For solar energy systems that are installed and placed
9 in service after December 31, 1989, but before July 1,
10 2003, in new and existing hotel, commercial, and
11 industrial facilities, the credit shall be in an
12 amount not to exceed thirty-five per cent of the
13 actual cost of the solar energy system;
- 14 (5) For heat pumps that are installed and placed in
15 service after December 31, 1989, but before July 1,
16 2003, in new and existing single-family residential
17 buildings, the credit shall be in an amount not to
18 exceed twenty per cent or \$400, whichever is less, of
19 the actual cost of the heat pump;
- 20 (6) For heat pumps that are installed and placed in
21 service after December 31, 1989, but before July 1,
22 2003, in new and existing multiunit buildings used



1 primarily for residential purposes, the credit shall
2 be in an amount not to exceed twenty per cent or \$200
3 per building unit, whichever is less, of the actual
4 cost of the heat pump; provided that a licensed
5 professional engineer reviews the design of the system
6 and provides a written opinion that the system, in
7 accordance with recognized engineering practice, is
8 designed to provide not less than ninety per cent of
9 the daily annual average hot water needs of all of the
10 occupants of the building;

11 (7) For heat pumps that are installed and placed in
12 service after December 31, 1989, but before July 1,
13 2003, in new and existing hotel, commercial, and
14 industrial facilities, the credit shall be in an
15 amount not to exceed twenty per cent of the actual
16 cost of the heat pump; and

17 (8) For ice storage systems that are installed and placed
18 in service after December 31, 1990, but before July 1,
19 2003, the credit shall be in an amount not to exceed
20 fifty per cent of the actual cost of the ice storage
21 system.



1 The per unit of actual cost of a solar energy system or heat
 2 pump referred to in subsection (b)(3) and (6) shall be
 3 determined by multiplying the actual cost of the solar energy
 4 system or heat pump installed and placed in service in the
 5 multiunit building by a fraction, the numerator being the total
 6 square feet of that unit in the multiunit building, and the
 7 denominator being the total square feet of all the units in the
 8 multiunit building.

9 If federal energy tax credits similar to any of those
 10 provided in paragraphs (1) to (8) are established after June 30,
 11 1998, but before July 1, 2003, then the state tax credit
 12 provided in the respective paragraph or paragraphs shall be
 13 reduced by the amount of the applicable federal energy tax
 14 credit.

15 The basis of eligible property for depreciation of
 16 accelerated cost recovery system purposes for state income taxes
 17 shall be reduced by the amount of credit allowable and claimed."

18 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is
 19 amended by amending subsection (a) to read as follows:

20 "(a) When the requirements of subsection (d) are met, each
 21 individual or corporate taxpayer that files an individual or
 22 corporate net income tax return for a taxable year may claim a



1 tax credit under this section against the Hawaii state
2 individual or corporate net income tax. The tax credit may be
3 claimed for every eligible renewable energy technology system
4 that is installed and placed in service in the State by a
5 taxpayer during the taxable year. The tax credit may be claimed
6 as follows:

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

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

13 provided that multiple owners of a single system shall be
14 entitled to a single tax credit; and provided further that the
15 tax credit shall be apportioned between the owners in proportion
16 to their contribution to the cost of the 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
21 is computed shall be determined at the entity level.



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

3 The basis of eligible property for depreciation of
4 accelerated cost recovery system purposes for state income taxes
5 shall be reduced by the amount of credit allowable and claimed."

6 SECTION 3. Section 235-110.3, Hawaii Revised Statutes, is
7 amended by amending subsection (a) to read as follows:

8 "(a) Each year during the credit period, there shall be
9 allowed to each taxpayer subject to the taxes imposed by this
10 chapter, an ethanol facility tax credit that shall be applied to
11 the taxpayer's net income tax liability, if any, imposed by this
12 chapter for the taxable year in which the credit is properly
13 claimed.

14 For each qualified ethanol production facility, the annual
15 dollar amount of the ethanol facility tax credit during the
16 eight-year period shall be equal to thirty per cent of its
17 nameplate capacity if the nameplate capacity is greater than
18 five hundred thousand but less than fifteen million gallons. A
19 taxpayer may claim this credit for each qualifying ethanol
20 facility; provided that:

21 (1) The claim for this credit by any taxpayer of a
22 qualifying ethanol production facility shall not



- 1 exceed one hundred per cent of the total of all
 2 investments made by the taxpayer in the qualifying
 3 ethanol production facility during the credit period;
- 4 (2) The qualifying ethanol production facility operated at
 5 a level of production of at least seventy-five per
 6 cent of its nameplate capacity on an annualized basis;
- 7 (3) The qualifying ethanol production facility is in
 8 production on or before January 1, 2017; [~~and~~]
- 9 (4) No taxpayer that claims the credit under this section
 10 shall claim any other tax credit under this chapter
 11 for the same taxable year[-]; and
- 12 (5) The basis of eligible property for depreciation of
 13 accelerated cost recovery system purposes for state
 14 income taxes shall be reduced by the amount of credit
 15 allowable and claimed."

16 SECTION 4. Section 235-110.46, Hawaii Revised Statutes, is
 17 amended by amending subsection (b) to read as follows:

18 "(b) The tax credit earned shall be equal to the qualified
 19 costs incurred from June 1, 2003, through May 31, 2009, up to a
 20 maximum of \$75,000,000 of credits in the aggregate for all
 21 qualified taxpayers for all years; provided that notwithstanding
 22 the amount of tax credits earned in any year, a maximum of



1 \$7,500,000 of tax credits in the aggregate for all qualified
2 taxpayers may be used in any one taxable year. The credits over
3 \$7,500,000 shall be used as provided in subsection (d). In the
4 case of a partnership, limited liability company, S corporation,
5 estate, trust, or association of apartment owners, the tax
6 credit allowable is for qualified costs incurred by the entity.
7 The costs upon which the tax credit is computed shall be
8 determined at the entity level.

9 The basis of eligible property for depreciation of
10 accelerated cost recovery system purposes for state income taxes
11 shall be reduced by the amount of credit allowable and claimed."

12 SECTION 5. Section 235-110.7, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) There shall be allowed to each taxpayer subject to
15 the tax imposed by this chapter a capital goods excise tax
16 credit which shall be deductible from the taxpayer's net income
17 tax liability, if any, imposed by this chapter for the taxable
18 year in which the credit is properly claimed.

19 The amount of the tax credit shall be determined by the
20 application of the following rates against the cost of the
21 eligible depreciable tangible personal property used by the
22 taxpayer in a trade or business and placed in service within



1 Hawaii after December 31, 1987. For calendar years beginning
2 after:

3 (1) December 31, 1987, the applicable rate shall be three
4 per cent;

5 (2) December 31, 1988, the applicable rate shall be four
6 per cent;

7 (3) December 31, 2008, the applicable rate shall be zero
8 per cent; and

9 (4) December 31, 2009, and thereafter, the applicable rate
10 shall be four per cent.

11 For taxpayers with fiscal taxable years, the applicable
12 rate shall be the rate for the calendar year in which the
13 eligible depreciable tangible personal property used in the
14 trade or business is placed in service within Hawaii.

15 In the case of a partnership, S corporation, estate, or
16 trust, the tax credit allowable is for eligible depreciable
17 tangible personal property which is placed in service by the
18 entity. The cost upon which the tax credit is computed shall be
19 determined at the entity level. Distribution and share of
20 credit shall be determined by rules.

21 In the case of eligible depreciable tangible personal
22 property for which a credit for sales or use taxes paid to



1 another state is allowable under section 238-3(i), the amount of
2 the tax credit allowed under this section shall not exceed the
3 amount of use tax actually paid under chapter 238 relating to
4 such tangible personal property.

5 If a deduction is taken under section 179 (with respect to
6 election to expense certain depreciable business assets) of the
7 Internal Revenue Code of 1954, as amended, no tax credit shall
8 be allowed for that portion of the cost of property for which
9 the deduction was taken.

10 The basis of eligible property for depreciation of
11 accelerated cost recovery system purposes for state income taxes
12 shall be reduced by the amount of credit allowable and claimed."

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

15 SECTION 7. This Act, upon its approval, shall apply to
16 taxable years beginning after December 31, 2011.



Report Title:

Income Tax Credits; Depreciation

Description:

Amends various income tax credits to provide that the basis of eligible property for depreciation of accelerated cost recovery system purposes for state income taxes shall be reduced by the amount of the tax credit claimed. (HB2326 HD1)

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

