

Honolulu, Hawaii

MAR 23 2012

RE: H.B. No. 2417  
H.D. 2  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Energy and Environment, to which was referred H.B. No. 2417, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the renewable energy technologies income tax credit ("tax credit") by increasing the maximum available amount of the tax credit and applying the credit on a per-property basis, as designated by tax map key number.

Prior to holding a public hearing on this measure, a proposed S.D. 1 was prepared and made available for public review. The proposed S.D. 1 deletes the contents of this measure and inserts language to:

- (1) Eliminate the maximum available amount of the tax credit for solar electricity generating systems, unless the primary purpose of the solar energy system is to use energy from the sun to heat water for household use;
- (2) Amend the tax credit amounts for solar systems by categorizing them into utility scale and non utility scale systems and establishing the tax credits as follows:



- (A) For solar electricity generating systems that are not utility scale, a tax credit of:
  - (i) Thirty-five percent of actual costs prior to the 2013 tax year and declining by five percent annually, ending at twenty percent during or after the 2015 tax year; or
  - (ii) Thirty-five percent of actual costs, if the system uses energy from the sun to heat water for household use; and
- (B) For solar electricity generating systems that are utility scale, a tax credit that is based on production, rather than construction, in the amount of 11.5 cents per kilowatt hour generated during the first one hundred twenty months of the operation of a utility scale solar electricity generating system installed after the 2012 tax year;
- (3) Make conforming amendments to section 235-12.5(b), Hawaii Revised Statutes, to account for the elimination of the maximum amounts of tax credits available for solar electricity generating systems that are not utility scale;
- (4) Define "solar electricity generating system" and "utility scale solar electricity generating system";
- (5) Require tax filers claiming the tax credit for utility scale solar electricity generating systems to document each system's production for that tax year; and
- (6) Make the tax credit for solar electricity generating systems fully refundable without the necessity of reducing the eligible credit amount for systems installed during or after the 2016 tax year.

Your Committee received testimony in support of the proposed S.D. 1 from the Solar Energy Industries Association, Hawaii Solar Energy Association, Hawaii Renewable Energy Alliance, Hawaii PV Coalition, SunPower Systems Corporation, Provision Solar, Inc., R & R Solar Supply, Inter-Island Solar Supply, Forest City Hawaii, and three individuals. Your Committee received testimony in



opposition to the proposed S.D. 1 from the Department of Business, Economic Development, and Tourism, Sunetric, and ten individuals. Your Committee received comments on the proposed S.D. 1 from the Department of Taxation, Tax Foundation of Hawaii, and AES Solar Power, LLC.

Your Committee has amended this measure by adopting the proposed S.D. 1 and further amending this measure by:

- (1) Allowing utility scale solar energy projects with contracts approved by the Public Utilities Commission prior to the end of the 2013 tax year to have the option of using the tax credit as it existed on the date that the contract was submitted to the Public Utilities Commission, rather than using the new tax credit for utility scale solar electricity generating systems proposed by this measure;
- (2) Increasing the cap amounts of the tax credit that may be claimed for single-family residential and multi-family residential properties, if the primary purpose of the solar energy system is to use energy from the sun to heat water for household use; and
- (3) Clarifying that the only systems for which tax credits shall be fully refundable without the necessity of reducing the eligible credit amount for systems installed during or after the 2016 tax year, are non utility scale solar electricity generating systems.

Your Committee finds that this measure, as amended, addresses the challenges of the current tax credit in a way that does not compromise construction activity and employment generated by the solar industry. This measure resolves issues with the administrative efficiency of the tax credit and lowers the exposure of the general fund to the credit. It will achieve these results in a way that lowers the risks involved in investing in solar projects in Hawaii. Accordingly, this measure strikes an appropriate balance between the acceptable levels of exposure of the general fund to the tax credit and maintaining investment in the solar industry.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of



H.B. No. 2417, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2417, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Energy and  
Environment,

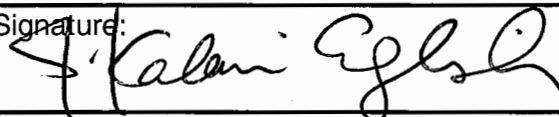


MIKE GABBARD, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Energy and Environment**  
**ENE**

Bill / Resolution No.:* <b>HB 2417 HD 2</b>	Committee Referral: <b>ENE, WAM</b>	Date: <b>20 March 2012</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
ENGLISH, J. Kalani (VC)	✓			
GREEN, M.D., Josh	(WR)			✓
IHARA, Jr., Les	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>4</b>			<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes