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## A BILL FOR AN ACT

RELATING TO ENERGY STORAGE.

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

1           SECTION 1. Energy storage is a key component of a modern,  
2 smart electrical grid, and can help to maximize the use of  
3 indigenous renewable energy. Hawaii has successfully utilized a  
4 renewable energy tax credit to foster a sustainable local  
5 renewable energy industry responsible for creating jobs,  
6 catalyzing statewide energy savings, improving our environment,  
7 and reducing greenhouse gas emissions.

8           The purpose of this Act is to facilitate the use of  
9 renewable energy by encouraging the use of grid-connected energy  
10 storage technologies and systems through a tax credit, limited  
11 in scope and duration, for grid-connected energy storage  
12 properties. The tax credit may be claimed as an investment tax  
13 credit or utilization tax credit.

14           These two tax credit forms are intended to promote the use  
15 of grid-connected energy storage that can address the varying  
16 needs of our island electric grids with technologies most  
17 applicable to those needs.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 "§235- Energy storage; income tax credit. (a) Each  
5 individual or corporate taxpayer that files an individual or  
6 corporate net income tax return for a taxable year may claim a  
7 tax credit under this section against the Hawaii state  
8 individual or corporate net income tax for each grid-connected  
9 energy storage property that is installed and placed in service  
10 in the State by a taxpayer during the taxable year after  
11 December 31, 2014. The tax credit may be claimed in either, but  
12 not both, of the following forms:

- 13 (1) An investment credit equal to:  
14 (A) For a grid-connected energy storage property  
15 first placed in service on or before December 31,  
16 2020, not more than per cent of the basis; or  
17 (B) For a grid-connected energy storage property  
18 first placed in service after December 31, 2020,  
19 and on or before December 31, 2025, not more than  
20 per cent of the basis; or

21 (2) A utilization credit equal to:



1           (A) For a grid-connected energy storage property  
2           first placed in service on or before December 31,  
3           2020,           cents per kilowatt-hour of energy  
4           storage capacity; or

5           (B) For a grid-connected energy storage property  
6           first placed in service after December 31, 2020,  
7           and on or before December 31, 2025,       cents  
8           per kilowatt-hour of energy storage capacity.

9           Such utilization credit may be claimed during each of  
10          the first ten taxable years that the grid-connected  
11          energy storage property is in service; provided that  
12          this annual utilization credit shall not exceed the  
13          product of the energy storage capacity measured in  
14          kilowatt-hours, multiplied by 365, multiplied by the  
15          applicable number of cents per kilowatt-hour.

16          (b) Multiple owners of a grid-connected energy storage  
17          property shall be entitled to a single tax credit, and the tax  
18          credit shall be apportioned between the owners in proportion to  
19          their contribution to the basis of the grid-connected energy  
20          storage property.

21          (c) In the case of a partnership, S corporation, estate,  
22          or trust, the tax credit allowable shall be for every eligible



1 grid-connected energy storage property that is installed and  
2 placed in service in the State by the entity. The basis upon  
3 which the tax credit is computed shall be determined at the  
4 entity level. Distribution and share of credit shall be  
5 determined pursuant to section 235-110.7(a).

6 (d) For the purposes of this section:

7 "Basis" means the actual cost of the grid-connected energy  
8 storage property, including accessories, installation, storage  
9 devices, power conditioning equipment, control or transfer  
10 equipment, support structures, and other equipment related to  
11 energy storage and the functioning of those items. Basis shall  
12 not include costs for which another credit is claimed under this  
13 chapter, costs for equipment which is unrelated to the operation  
14 of the grid-connected energy storage property, the dollar value  
15 of any rebate received for the grid-connected energy storage  
16 property, or the cost of consumer incentive premiums unrelated  
17 to the operation of the grid-connected energy storage property  
18 or offered with the sale of the grid-connected energy storage  
19 property. The basis of the grid-connected energy storage  
20 property shall not be reduced by the amount of any federal tax  
21 credit or other federally subsidized energy financing received  
22 by the taxpayer.



1       "Energy storage capacity" means the amount of electricity,  
2 measured in megawatt-hours, that may be received by the grid-  
3 connected energy storage property for later retrieval. Energy  
4 storage capacity shall be determined based on the storage  
5 capability of the equipment, not its actual use when in  
6 operation.

7       "First placed in service" has the same meaning as in 26  
8 C.F.R. 1.167(a)-11(e)(1).

9       "Grid-connected energy storage property" means equipment or  
10 devices, connected to the electrical grid in either a  
11 centralized or distributed manner, which shall do one or more of  
12 the following:

13       (1) Use mechanical, chemical, or thermal processes to  
14 store energy received from the electrical grid or  
15 electrical grid-connected renewable energy, as that  
16 term is used in section 269-91, at one time for use at  
17 a later time by returning electricity to the grid or  
18 by avoiding the need to use electricity from the  
19 electrical grid at that later time by a facility or  
20 property that is electrical grid-connected;

21       (2) Use mechanical, chemical, or thermal processes to  
22 store energy received from the electrical grid or



1           electrical grid-connected renewable energy, as that  
2           term is used in section 269-91, to provide ancillary  
3           services to the electrical grid;

4           (3) Store thermal energy, created from electricity  
5           received from the electrical grid or from electrical  
6           grid-connected renewable energy, as that term is used  
7           in section 269-91, for direct use for heating or  
8           cooling at a later time in a manner that avoids the  
9           need to use electricity from the electrical grid at  
10           that later time in a facility or property that is  
11           electrical grid-connected; or

12           (4) Enable an energy storage device, primarily designed  
13           for use in transportation, with or without vehicles,  
14           to store and transmit energy from and to the  
15           electrical grid in a manner consistent with paragraphs  
16           (1) or (2).

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



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

3 (f) If the tax credit under subsection (a)(1) 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).  
8 All claims for the tax credit under this section, including  
9 amended claims, shall be filed on or before the end of the  
10 twelfth month following the close of the taxable year for which  
11 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 any grid-connected energy storage property, a  
15 taxpayer may elect to reduce the eligible credit amount by  
16 thirty per cent and, if this reduced amount exceeds the amount  
17 of income tax payment due from the taxpayer, the excess of the  
18 credit amount over payments due shall be refunded to the  
19 taxpayer; provided that no refund on account of the tax credit  
20 allowed by this section shall be made for amounts less than \$1.

21 The election required by this subsection shall be made in a  
22 manner prescribed by the director on the taxpayer's return for



1 the taxable year in which the grid-connected energy storage  
2 property is installed and placed in service. A separate  
3 election may be made for each separate property that generates a  
4 credit. An election once made shall be irrevocable.

5 (h) An association of owners under chapter 421I, 421J,  
6 514A, or 514B may claim the credit allowed under this section in  
7 its own name for grid-connected energy storage property placed  
8 in service and located on common areas.

9 (i) No credit under this section shall be allowed to any  
10 federal, state, or local government or any political  
11 subdivision, agency, or instrumentality thereof.

12 (j) The department of taxation, in collaboration with the  
13 department of business, economic development, and tourism, shall  
14 submit a joint report to the legislature annually no later than  
15 twenty days prior to the convening of each regular session on  
16 the following for the preceding taxable year:

17 (1) The number of grid-connected energy storage properties  
18 that have qualified for a tax credit during the  
19 calendar year by:

20 (A) Property/technology type; and

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





- 1        (2) The total cost of the tax credit to the State during
- 2        the taxable year by:
- 3        (A) Property/technology type;
- 4        (B) Taxpayer type,
- 5        (C) Tax credit type (investment or utilization); and
- 6        (D) Refundability type (refundable or nonrefundable);
- 7        and
- 8        (3) The estimated economic benefit that may be
- 9        attributable to the grid-connected energy storage tax
- 10       credit, including:
- 11       (A) Impact on the state economy, including:
- 12           (i) Economic boost;
- 13           (ii) Net flow of money into or out of the State,
- 14           including, but not limited to, money related
- 15           to expenditures on fossil fuels; and
- 16           (iii) General excise and income tax revenue
- 17           generated; and
- 18        (B) Impact on jobs in the State, including:
- 19           (i) Number of jobs maintained;
- 20           (ii) Number of jobs created; and
- 21           (iii) Average pay of jobs maintained and created.



1 SECTION 3. If any provision of this Act, or the  
2 application thereof to any person or circumstance, is held  
3 invalid, the invalidity does not affect other provisions or  
4 applications of the Act that can be given effect without the  
5 invalid provision or application, and to this end the provisions  
6 of this Act are severable.

7 SECTION 4. New statutory material is underscored.

8 SECTION 5. This Act shall take effect on July 1, 2014.

9

INTRODUCED BY:



JAN 23 2014



# H.B. NO. 2618

**Report Title:**

Energy Storage; Tax Credit

**Description:**

Authorizes an individual or corporate tax payer to claim a tax credit against the Hawaii State individual or corporate net income tax for each grid-connected energy storage property that is installed and placed in service in the State by the taxpayer during the taxable year after December 31, 2014. Effective July 1, 2014.

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

