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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) There  
5 shall be allowed to any taxpayer subject to taxes under this  
6 chapter, an income tax credit for each grid-connected energy  
7 storage property that is installed and placed in service in the  
8 State during the taxable year beginning after December 31, 2014;  
9 provided that this tax credit shall not be available for taxable  
10 years beginning after December 31, 2025. The tax credit may be  
11 claimed in either, but not both, of the following forms:

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

- 20 (2) A utilization credit equal to:  
21 (A) For a grid-connected energy storage property  
22 first placed in service on or before December 31,



1                   2020,                   cents per kilowatt-hour of energy  
2                   storage capacity; or  
3            (B)   For a grid-connected energy storage property  
4                   first placed in service after December 31, 2020,  
5                   and on or before December 31, 2025,                   cents  
6                   per kilowatt-hour of energy storage capacity.

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

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

19            (c) In the case of a partnership, S corporation, estate,  
20                   or trust, the tax credit allowable shall be for every eligible  
21                   grid-connected energy storage property that is installed and  
22                   placed in service in the State by the entity. The basis upon



1 which the tax credit is computed shall be determined at the  
2 entity level. Distribution and share of credit shall be  
3 determined pursuant to section 704(b) of the Internal Revenue  
4 Code.

5 (d) For the purposes of this section:

6 "Basis" means the actual cost of the grid-connected energy  
7 storage property, including accessories, installation, storage  
8 devices, power conditioning equipment, control or transfer  
9 equipment, support structures, and other equipment related to  
10 energy storage and the functioning of those items. Basis shall  
11 not include costs for which another credit is claimed under this  
12 chapter, costs for equipment which is unrelated to the operation  
13 of the grid-connected energy storage property, the dollar value  
14 of any rebate received for the grid-connected energy storage  
15 property, or the cost of consumer incentive premiums unrelated  
16 to the operation of the grid-connected energy storage property  
17 or offered with the sale of the grid-connected energy storage  
18 property. The basis of the grid-connected energy storage  
19 property shall not be reduced by the amount of any federal tax  
20 credit or other federally subsidized energy financing received  
21 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 that are connected to the electrical grid in either a  
11 centralized or distributed manner, have a capacity of at least  
12 one megawatt-hour, are certified by the department of business,  
13 economic development, and tourism to receive the tax credit, and  
14 do one or more of the following:

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



- 1        (2) Use mechanical, chemical, or thermal processes to  
2        store energy received from the electrical grid or  
3        electrical grid-connected renewable energy, as that  
4        term is used in section 269-91, to provide ancillary  
5        services to the electrical grid;
- 6        (3) Store thermal energy, created from electricity  
7        received from the electrical grid or from electrical  
8        grid-connected renewable energy, as that term is used  
9        in section 269-91, for direct use for heating or  
10       cooling at a later time in a manner that avoids the  
11       need to use electricity from the electrical grid at  
12       that later time in a facility or property that is  
13       electrical grid-connected; or
- 14       (4) Enable an energy storage device, primarily designed  
15       for use in transportation, with or without vehicles,  
16       to store and transmit energy from and to the  
17       electrical grid in a manner consistent with paragraph  
18       (1) or (2).
- 19       (e) The department of business, economic development, and  
20       tourism shall issue to the taxpayer a certificate for each grid-  
21       connected energy storage property that qualifies for the tax  
22       credit pursuant to this section. The certificate shall identify



1 the taxpayer type, property type, tax credit type, and  
2 refundability type. The taxpayer shall submit the certificate  
3 to the director of taxation along with any other forms or  
4 information required pursuant to subsection (f).

5 (f) The director of taxation shall prepare any forms that  
6 may be necessary to claim a tax credit under this section,  
7 including forms identifying the property type for each tax  
8 credit claimed under this section. The director may also  
9 require the taxpayer to furnish reasonable information to  
10 ascertain the validity of the claim for credit made under this  
11 section and may adopt rules necessary to effectuate the purposes  
12 of this section pursuant to chapter 91.

13 (g) If the tax credit under subsection (a)(1) exceeds the  
14 taxpayer's income tax liability, the excess of the credit over  
15 liability may be used as a credit against the taxpayer's income  
16 tax liability in subsequent years until exhausted, unless  
17 otherwise elected by the taxpayer pursuant to subsection (h).

18 All claims for the tax credit under this section, including  
19 amended claims, shall be filed on or before the end of the  
20 twelfth month following the close of the taxable year for which  
21 the credit may be claimed. Failure to comply with this



1 subsection shall constitute a waiver of the right to claim the  
2 credit.

3 (h) For any grid-connected energy storage property, a  
4 taxpayer may elect to reduce the eligible credit amount by  
5 thirty per cent and, if this reduced amount exceeds the amount  
6 of income tax payment due from the taxpayer, the excess of the  
7 credit amount over payments due shall be refunded to the  
8 taxpayer; provided that no refund on account of the tax credit  
9 allowed by this section shall be made for amounts less than \$1.

10 The election required by this subsection shall be made in a  
11 manner prescribed by the director on the taxpayer's return for  
12 the taxable year in which the grid-connected energy storage  
13 property is installed and placed in service. A separate  
14 election may be made for each separate property that generates a  
15 credit. An election once made shall be irrevocable.

16 (i) An association of owners under chapter 421I, 421J,  
17 514A, or 514B may claim the credit allowed under this section in  
18 its own name for grid-connected energy storage property placed  
19 in service and located on common areas.

20 (j) No credit under this section shall be allowed to any  
21 federal, state, or local government or any political  
22 subdivision, agency, or instrumentality thereof.





1       (k) The department of taxation, in collaboration with the  
2 department of business, economic development, and tourism, shall  
3 submit a joint report to the legislature annually no later than  
4 twenty days prior to the convening of each regular session on  
5 the following for the preceding taxable year:

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

9       (A) Property/technology type; and

10       (B) Taxpayer type;

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

13       (A) Property/technology type;

14       (B) Taxpayer type,

15       (C) Tax credit type (investment or utilization); and

16       (D) Refundability type (refundable or nonrefundable);

17       and

18       (3) The estimated economic benefit that may be  
19 attributable to the grid-connected energy storage tax  
20 credit, including:

21       (A) Impact on the state economy, including:

22       (i) Economic boost;



- 1                    (ii) Net flow of money into or out of the State,
- 2                    including, but not limited to, money related
- 3                    to expenditures on fossil fuels; and
- 4                    (iii) General excise and income tax revenue
- 5                    generated; and
- 6                    (B) Impact on jobs in the State, including:
- 7                    (i) Number of jobs maintained;
- 8                    (ii) Number of jobs created; and
- 9                    (iii) Average pay of jobs maintained and created."

10                    SECTION 3. If any provision of this Act, or the

11 application thereof to any person or circumstance, is held

12 invalid, the invalidity does not affect other provisions or

13 applications of the Act that can be given effect without the

14 invalid provision or application, and to this end the provisions

15 of this Act are severable.

16                    SECTION 4. New statutory material is underscored.

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



**Report Title:**

Energy Storage; Tax Credit

**Description:**

Establishes an income tax credit for each grid-connected energy storage property that is installed and placed in service in the State during the taxable year beginning December 31, 2014; provided that this tax credit shall not be available for taxable years beginning after December 31, 2025. The tax credit may be claimed as either an investment credit or utilization credit. Effective July 1, 2014. (HB2618 HD1)

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

