
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 If a deduction is taken under this chapter, no tax credit
15 shall be allowed for that portion of the grid-connected energy
16 storage property for which the deduction was taken.

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

1 (c) In the case of a partnership, S corporation, estate,
2 or trust, the tax credit allowable shall be for every eligible
3 grid-connected energy storage property that is installed and
4 placed in service in the State by the entity. The basis upon
5 which the tax credit is computed shall be determined at the
6 entity level. Distribution and share of credit shall be
7 determined pursuant to section 704(b) of the Internal Revenue
8 Code.

9 (d) For the purposes of this section:

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



1 property shall not be reduced by the amount of any federal tax
2 credit or other federally subsidized energy financing received
3 by the taxpayer.

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

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

12 "Grid-connected energy storage property" means equipment or
13 devices that are connected to the electrical grid in either a
14 centralized or distributed manner, have a capacity of at least
15 one megawatt-hour or one megawatt, are certified by the
16 department of business, economic development, and tourism to
17 receive the tax credit, and do one or more of the following:

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



1 by avoiding the need to use electricity from the
2 electrical grid at that later time by a facility or
3 property that is electrical grid-connected;

4 (2) Use mechanical, chemical, or thermal processes to
5 store energy received from the electrical grid or
6 electrical grid-connected renewable energy, as that
7 term is used in section 269-91, to provide ancillary
8 services to the electrical grid;

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

17 (4) Enable an energy storage device, primarily designed
18 for use in transportation, with or without vehicles,
19 to store and transmit energy from and to the
20 electrical grid in a manner consistent with paragraph
21 (1) or (2).



1 (e) The department of business, economic development, and
2 tourism shall issue to the taxpayer a certificate for each grid-
3 connected energy storage property that qualifies for the tax
4 credit pursuant to this section. The certificate shall identify
5 the taxpayer type, property type, tax credit type, and
6 refundability type. The taxpayer shall submit the certificate
7 to the director of taxation along with any other forms or
8 information required pursuant to subsection (f).

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

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

22 All claims for the tax credit under this section, including



1 amended claims, shall be filed on or before the end of the
2 twelfth month following the close of the taxable year for which
3 the credit may be claimed. Failure to comply with this
4 subsection shall constitute a waiver of the right to claim the
5 credit.

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

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

19 (i) An association of owners under chapter 421I, 421J,
20 514A, or 514B may claim the credit allowed under this section in
21 its own name for grid-connected energy storage property placed
22 in service and located on common areas.



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

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

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

- 12 (A) Property/technology type; and
- 13 (B) Taxpayer type;

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

- 16 (A) Property/technology type;
- 17 (B) Taxpayer type,
- 18 (C) Tax credit type (investment or utilization); and
- 19 (D) Refundability type (refundable or nonrefundable);
20 and



- 1 (3) The estimated economic benefit that may be
2 attributable to the grid-connected energy storage tax
3 credit, including:
- 4 (A) Impact on the state economy, including:
- 5 (i) Economic boost;
6 (ii) Net flow of money into or out of the State,
7 including, but not limited to, money related
8 to expenditures on fossil fuels; and
9 (iii) General excise and income tax revenue
10 generated; and
- 11 (B) Impact on jobs in the State, including:
- 12 (i) Number of jobs maintained;
13 (ii) Number of jobs created; and
14 (iii) Average pay of jobs maintained and created."

15 SECTION 3. If any provision of this Act, or the
16 application thereof to any person or circumstance, is held
17 invalid, the invalidity does not affect other provisions or
18 applications of the Act that can be given effect without the
19 invalid provision or application, and to this end the provisions
20 of this Act are severable.

21 SECTION 4. New statutory material is underscored.

22 SECTION 5. This Act shall take effect on July 1, 2112.



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 after 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, 2112. (HB2618 HD2)

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

