
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 twenty per cent of the basis;

16 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 fifteen 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, 8 cents per kilowatt-hour of energy storage
4 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, 6 cents per
8 kilowatt-hour of energy storage capacity.

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

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

1 their contribution to the basis of the grid-connected energy
2 storage property.

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

11 (d) For the purposes of this section:

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



1 or offered with the sale of the grid-connected energy storage
2 property. The basis of the grid-connected energy storage
3 property shall not be reduced by the amount of any federal tax
4 credit or other federally subsidized energy financing received
5 by the taxpayer.

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

12 "First placed in service" has the same meaning as in title
13 26 Code of Federal Regulations section 1.167(a)-11(e)(1).

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

20 (1) Use mechanical, chemical, or thermal processes to
21 store energy received from the electrical grid or
22 electrical grid-connected renewable energy, as that



1 term is used in section 269-91, at one time for use at
2 a later time by returning electricity to the grid or
3 by avoiding the need to use electricity from the
4 electrical grid at that later time by a facility or
5 property that is electrical grid-connected;

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

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

19 (4) Enable an energy storage device, primarily designed
20 for use in transportation, with or without vehicles,
21 to store and transmit energy from and to the



1 electrical grid in a manner consistent with paragraph
2 (1) or (2).

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

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

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



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

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

14 (h) An association of owners under chapter 421I, 421J,
15 514A, or 514B may claim the credit allowed under this section in
16 its own name for grid-connected energy storage property placed
17 in service and located on common areas.

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

21 (j) The department of taxation shall submit a report to
22 the legislature annually no later than twenty days prior to the



1 convening of each regular session on the following for the most
2 recent taxable year for which the department has data:

3 (1) The number of grid-connected energy storage properties
4 that have qualified for a tax credit during the
5 calendar year;

6 (2) The total cost of the tax credit to the State during
7 the taxable year by tax credit type (investment or
8 utilization) and refundability or nonrefundability."

9 SECTION 3. If any provision of this Act, or the
10 application thereof to any person or circumstance, is held
11 invalid, the invalidity does not affect other provisions or
12 applications of the Act that can be given effect without the
13 invalid provision or application, and to this end the provisions
14 of this Act are severable.

15 SECTION 4. New statutory material is underscored.

16 SECTION 5. This Act shall take effect on July 1, 2050.



Report Title:

Energy Storage; Tax Credit; Investment; Utilization

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. Allows the tax credit to be claimed as either an investment credit or utilization credit. Effective July 1, 2050. (SD1)

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