
A BILL FOR AN ACT

RELATING TO ENERGY STORAGE.

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

1 SECTION 1. The purpose of this Act is to facilitate the
2 greater use of renewable energy by encouraging cost-effective
3 energy storage technologies and systems that directly promote
4 the use of renewable energy by establishing a tax credit,
5 limited in scope and duration, for energy storage properties.

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

9 "§235- Energy storage tax credit. (a) There shall be
10 allowed to each individual or corporate taxpayer subject to the
11 tax imposed by this chapter, an energy storage tax credit for
12 each utility scale energy storage property:

- 13 (1) That is used primarily to store electricity;
14 (2) For which the taxpayer enters into an agreement with
15 an electric utility after June 30, 2014, and on or
16 before December 31, 2020; and



1 (3) That is installed and first placed in service by a
2 taxpayer during a taxable year after December 31,
3 2014, and on or before December 31, 2024.

4 (b) The tax credit shall be claimed as an investment
5 credit equal to not more than twenty per cent of the basis,
6 apportioned as follows:

7 (1) During the first taxable year of the operation of the
8 utility scale energy storage property, eight per cent
9 of the basis;

10 (2) During the second taxable year of the operation of the
11 utility scale energy storage property, six per cent of
12 the basis;

13 (3) During the third taxable year of the operation of the
14 utility scale energy storage property, four per cent
15 of the basis; and

16 (4) During the fourth taxable year of the operation of the
17 utility scale energy storage property, two per cent of
18 the basis.

19 (c) To qualify for the tax credit, a taxpayer shall first
20 obtain certification from the department of business, economic
21 development, and tourism. When applying for certification, the
22 taxpayer shall provide the department of business, economic



1 development, and tourism with evidence that the taxpayer has
2 control of the site for the proposed project, such as a copy of
3 a deed, a lease, or an option to lease.

4 (d) The department of business, economic development, and
5 tourism shall cease certifying tax credits for the year when the
6 aggregate tax credit certifications for the year reaches
7 \$20,000,000; provided that the queue of remaining projects
8 awaiting certifications shall carry over to the next year to
9 await certification.

10 (e) A taxpayer who has received certification for a
11 project shall, within twelve months of receiving the
12 certification, provide the department of business, economic
13 development, and tourism with evidence that the taxpayer has
14 invested into the project an amount equal to at least five per
15 cent of the amount of the taxpayer's projected cumulative tax
16 credits. The department of business, economic development, and
17 tourism shall rescind the certification of any taxpayer who
18 fails to comply with this subsection and shall then consider the
19 next taxpayer in the queue for certification.

20 (f) The department of business, economic development, and
21 tourism shall notify the department of taxation of all
22 certifications and rescissions of certifications.



1 (g) The tax credit shall be deductible from the taxpayer's
2 net income tax liability imposed by this chapter for the taxable
3 year in which the credit is properly claimed. If the tax
4 credits under subsection (b) exceed the taxpayer's income tax
5 liability, the excess of the credit over liability may be used
6 as a credit against the taxpayer's income tax liability in
7 subsequent years until exhausted, unless otherwise elected by
8 the taxpayer pursuant to subsection (h).

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

17 The election required by this subsection shall be made in a
18 manner prescribed by the director on the taxpayer's return for
19 the taxable year in which the utility scale energy storage
20 property is installed and placed in service. A separate
21 election may be made for each separate property that generates a
22 credit. An election once made is irrevocable.



1 (i) The dollar amount of any utility rebate shall be
2 deducted from the basis of the qualifying utility scale energy
3 storage property and its installation before applying the state
4 tax credit.

5 (j) Multiple owners of a single utility scale energy
6 storage property shall be entitled to a single tax credit, and
7 the tax credit shall be apportioned between the owners in
8 proportion to their contribution to the basis of the utility
9 scale energy storage property.

10 (k) In the case of a partnership, S corporation, estate,
11 or trust, the tax credit allowable is for every eligible utility
12 scale energy storage property that is installed and placed in
13 service in the state by the entity. The basis upon which the
14 tax credit is computed shall be determined at the entity level.
15 Distribution and share of credit shall be determined pursuant to
16 section 704(b) of the Internal Revenue Code.

17 (l) 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 of each tax credit
20 claimed under this section. The director may also require the
21 taxpayer to furnish reasonable information to ascertain the
22 validity of the claim for credit made under this section and may



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

3 (m) All claims for the tax credit under this section,
4 including amended claims, shall be filed on or before the end of
5 the twelfth month following the close of the taxable year for
6 which the credit may be claimed. Failure to comply with this
7 subsection shall constitute a waiver of the right to claim the
8 credit.

9 (n) The tax credit provided for in this section shall be
10 construed in accordance with the United States Treasury
11 Regulations and judicial interpretations of similar provisions
12 in sections 25D, 45, and 48 of the Internal Revenue Code.

13 (o) No credit under this section shall be allowed to any
14 federal, state, or local government or any public sector agency.

15 (p) The department of taxation, in collaboration with the
16 department of business, economic development, and tourism, shall
17 submit an annual joint report to the legislature no later than
18 twenty days prior to the convening of each regular session on
19 the following for the preceding taxable year:

20 (1) The number of utility scale energy storage properties
21 that have qualified for a tax credit during the
22 calendar year by:



- 1 (A) Property type; and
- 2 (B) Taxpayer type (corporate and individual);
- 3 (2) The total cost of the tax credit to the State during
4 the taxable year by:
 - 5 (A) Property type;
 - 6 (B) Taxpayer type; and
 - 7 (C) Refundability type (refundable or nonrefundable);
8 and
- 9 (3) The estimated economic benefit that may be
10 attributable to the tax credit, including:
 - 11 (A) Jobs created in the energy storage field;
 - 12 (B) Jobs created in the renewable energy generation
13 field;
 - 14 (C) General excise and income tax revenue generated;
15 and
 - 16 (D) Monetization of the benefits of increased grid
17 stability.
- 18 (q) For the purposes of this section:
19 "Basis" means costs related to the utility scale energy
20 storage property, including storage devices, power conditioning
21 equipment, transfer equipment, support structures, and parts

1 related to the functioning of those items, including
2 installation and development costs. "Basis" shall not include:

3 (1) Costs for which another credit is claimed under this
4 chapter; and

5 (2) Costs for equipment that is unrelated to the
6 functioning of the utility scale energy storage
7 property.

8 The meaning of "basis" shall be consistent with section 25D or
9 section 48 of the Internal Revenue Code; provided that, for the
10 purposes of calculating the credit allowed under this section,
11 the basis of the utility scale energy storage property shall not
12 be reduced by the amount of any federal tax credit or other
13 federally subsidized energy financing received by the taxpayer.

14 "Certification" means an affirmation from the department of
15 business, economic development, and tourism that the taxpayer
16 has met the minimum criteria to qualify for the tax credit for
17 an utility scale energy storage property.

18 "Energy storage capacity" means the amount of electricity
19 measured in megawatts or megawatt-hours that may be injected
20 into storage for later retrieval. Energy storage capacity shall
21 be determined based on the storage capability of the equipment,
22 not its actual use when in operation.



1 "First placed in service" has the same meaning as in United
2 States Treasury Regulation section 1.167(a)-11(e)(1).

3 "Public sector agency" means any political subdivision,
4 agency, or instrumentality of the State or of the federal
5 government.

6 "Utility scale energy storage property" means equipment
7 that receives electricity generated from various sources, stores
8 said electricity, and delivers said electricity to an electric
9 utility. Furthermore, utility scale energy storage property
10 shall have an energy storage capacity of at least one megawatt
11 of power or one megawatt-hour of energy storage. The
12 construction, reconstruction, or erection of the utility scale
13 energy storage property shall be completed by the taxpayer, or
14 shall be acquired by the taxpayer if the original use of the
15 property commences with the taxpayer."

16 SECTION 3. New statutory material is underscored.

17 SECTION 4. This Act shall take effect on July 1, 2014;
18 provided that the tax credits shall apply to taxable years
19 beginning after December 31, 2014.

20



Report Title:

Energy Storage; Tax Credit

Description:

Establishes an energy storage tax credit for utility scale energy storage property. (SD1)

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

