

Honolulu, Hawaii

February 8, 2013

RE: H.B. No. 497  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 497 entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY,"

begs leave to report as follows:

The purpose of this measure is to adjust the renewable energy technologies income tax credit by, among other things:

- (1) For non-utility scale solar electricity generating systems, lowering the specified rates for each taxable year, beginning after the 2014 taxable year;
- (2) Providing a specified tax credit for each utility scale solar electricity generating system installed after the 2013 tax year; and
- (3) Providing a tax credit for each solar energy system that uses energy from the sun to heat water for household use.

Sunetric, First Wind, Hawaii Solar Energy Association, and a concerned individual supported this bill. Distributed Energy Partners; Kairos Energy Capital; RevoluSun; SunPower Systems Corporation; Sun Run, Inc.; Ulupono Initiative; and Hawaii PV Coalition supported the intent of this measure. A concerned individual opposed this measure. The Department of Taxation; Tax



Foundation of Hawaii; Hawaii Renewable Energy Alliance; and Inter-Island Solar Supply provided comments on this measure.

Your Committee has amended this measure to ensure that renewable energy options are available to Hawaii residents, continue the growth of Hawaii's solar and construction industries, and minimize the fiscal impact of the renewable energy technology income tax credit. Specifically, your Committee has amended this measure by:

- (1) Providing tax credits for solar energy property used specifically for the purpose of heating water;
- (2) Establishing caps for the tax credit provided for solar energy properties specifically used for the purpose of heating water;
- (3) Providing tax credits that are determined by a percentage of the basis calculated for solar energy properties used primarily to generate electricity that are less than one megawatt in alternating current capacity, not part of a larger solar energy property, and installed and placed in service by taxpayers during the taxable year;
- (4) Defining the terms "basis", "competitive bid solar energy property", "placed in service", "property", and "public sector agency";
- (5) Adding unspecified provisions for tax credits for solar energy properties used to generate electricity that are one megawatt or larger in alternating current capacity;
- (6) Providing that the renewable energy technology income tax credits are for renewable energy technology property rather than renewable energy technology systems;
- (7) Repealing the cap amounts for each eligible renewable energy technology system;
- (8) Allowing taxpayers to elect to have any excess of the credit over payments due to the taxpayer refunded without discount under certain circumstances;



- (9) Making refundable the income tax credit for solar energy property that is used to generate electricity and is one megawatt or larger in alternating current capacity;
- (10) Requiring that the tax credits provided in section 235-12.5, Hawaii Revised Statutes (HRS), be construed in accordance with Treasury Regulations and judicial interpretations of similar provisions of the Internal Revenue Code;
- (11) Allowing certain taxpayers who have entered into an agreement with public sector agencies pursuant to a public solicitation and procurement process for the sale of electricity from non-residential solar energy property with less than one megawatt of alternating current capacity to elect to receive a tax credit for energy properties placed into service prior to January 1, 2014, on the same basis as if the energy property had been placed into service prior to January 1, 2013;
- (12) Allowing taxpayers who have received letters from the Department of Taxation extending the department's letter rulings or determination letters to December 31, 2013, to qualify for the tax credit as it existed on December 31, 2012, as long as certain requirements are met;
- (13) Allowing certain associations of property owners to claim the credit allowed under section 235-12.5, HRS, in their own names for properties or facilities placed in service and located on common areas;
- (14) Prohibiting certain entities, including governmental entities and partnerships or pass-through entities, from claiming the tax credit;
- (15) Requiring the Department of Taxation and Department of Business, Economic Development, and Tourism to collaborate to issue a joint report annually to the Legislature regarding the taxpayers and types of credits taken under this section and the impact of this tax credit on the economy and on the job market;



(16) Requiring the Department of Business, Economic Development, and Tourism to:

(A) Commence a study no later than July 1, 2016, on the costs incurred and benefits gained, and the extent to which the renewable energy technology income tax credit has helped the state achieve its energy goals; and

(B) Submit a report to the Legislature no later than December 31, 2017; and

(17) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes that portions of section 235-12.5(a)(3), HRS, have been left blank because they are still under discussion with various interested parties and hopes that your Committee on Consumer Protection & Commerce will consider the suggested provisions that arise out these ongoing discussions.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 497, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 497, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on  
behalf of the members of the  
Committee on Energy &  
Environmental Protection,



CHRIS LEE, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

*ASCA 244*

**Record of Votes of the Committee on Energy & Environmental Protection**

Bill/Resolution No.: <i>HB 497</i>	Committee Referral: <i>EEP, CLK, FIN</i>	Date: <i>2/6/13</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. LEE, Chris (C)	X			
2. THIELEN, Cynthia (VC)	X			
3. COFFMAN, Denny	X			
4. CULLEN, Ty J.K.	X			
5. EVANS, Cindy		X		
6. HANOHANO, Faye P.		X		
7. KAWAKAMI, Derek S.K.	X			
8. LOWEN, Nicole E.	X			
9. FALE, Richard Lee		X		
TOTAL (9)	<i>6</i>	<i>3</i>		
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <i>Cynthia Thielen</i>				
Distribution:            Original (White) – Committee            Duplicate (Yellow) – Chief Clerk's Office            Duplicate (Pink) – HMSO				