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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding two new sections to part I to be appropriately  
3 designated and to read as follows:

4           "§235-           Photovoltaic storage battery development and  
5 manufacturing tax credit. (a) There shall be allowed to each  
6 taxpayer subject to the tax imposed by this chapter, a  
7 photovoltaic storage battery development and manufacturing  
8 income tax credit, which shall be deductible from the taxpayer's  
9 net income tax liability, if any, imposed by this chapter for  
10 the taxable year in which the credit is properly claimed.

11           (b) The amount of the credit shall be \_\_\_\_\_ per cent of  
12 the qualified development and manufacturing costs incurred  
13 during the taxable year; provided that the total credit claimed  
14 per taxpayer shall not exceed \$ \_\_\_\_\_.

15           In the case of a partnership, S corporation, estate, or  
16 trust, the tax credit allowable is for qualified manufacturing  
17 costs incurred by the entity for the taxable year. The cost



1 upon which the tax credit is computed shall be determined at the  
2 entity level. Distribution and share of credit shall be  
3 determined by section 704 of the Internal Revenue Code.

4 If a deduction is taken under section 179 (with respect to  
5 election to expense certain depreciable business assets) of the  
6 Internal Revenue Code, no tax credit shall be allowed for those  
7 costs for which the deduction is taken.

8 The basis of eligible property for depreciation or  
9 accelerated cost recovery system purposes for state income taxes  
10 shall be reduced by the amount of credit allowable and claimed.

11 (c) If the tax credit under this section exceeds the  
12 taxpayer's income tax liability, the excess of credits over  
13 liability shall be refunded to the taxpayer; provided that no  
14 refunds or payment on account of the tax credits allowed by this  
15 section shall be made for amounts less than \$1. Every claim,  
16 including amended claims, for a tax credit under this section  
17 shall be filed on or before the end of the twelfth month  
18 following the close of the taxable year for which the credit may  
19 be claimed. Failure to comply with the foregoing provision  
20 shall constitute a waiver of the right to claim the credit.

21 (d) The director of taxation:



1       (1) Shall prepare any forms that may be necessary to claim  
2       a credit under this section;

3       (2) May require the taxpayer to furnish information to  
4       ascertain the validity of the claim for credit made  
5       under this section; and

6       (3) May adopt rules pursuant to chapter 91 to effectuate  
7       the purposes of this section.

8       (e) The department of business, economic development, and  
9 tourism shall:

10       (1) Maintain records of the total amount of qualified  
11       development and manufacturing costs for each taxpayer  
12       claiming a credit;

13       (2) Verify the amount of the qualified development and  
14       manufacturing costs claimed;

15       (3) Total all qualified development and manufacturing  
16       costs claimed; and

17       (4) Certify the total amount of the tax credit for each  
18       taxable year.

19       Upon each determination, the department of business,  
20 economic development, and tourism shall issue a certificate to  
21 the taxpayer verifying the qualified development and



1 manufacturing costs and the credit amount certified for each  
2 taxable year.

3 The taxpayer shall file the certificate with the taxpayer's  
4 tax return with the department of taxation. Notwithstanding the  
5 department of business, economic development, and tourism's  
6 certification authority under this section, the director of  
7 taxation may audit and adjust certification to conform to the  
8 facts.

9 (f) The tax credit allowed under this section shall be  
10 available for taxable years beginning after December 31, 2015,  
11 and shall not be available for taxable years beginning after  
12 December 31, 2025.

13 (g) As used in this section:

14 "Net income tax liability" means income tax liability  
15 reduced by all other credits allowed under this chapter.

16 "Photovoltaic storage battery" means a battery used to  
17 store electrical energy generated by a solar energy system, as  
18 defined in section 235-12.5, for use during times when no solar  
19 resources are available to generate power.

20 "Qualified development and manufacturing costs" means  
21 expenditures for:



- 1        (1) Costs incurred to purchase equipment to be used in the  
2        development and manufacturing of photovoltaic storage  
3        batteries in the State;
- 4        (2) Costs incurred to purchase supplies to be used in the  
5        development and manufacturing of photovoltaic storage  
6        batteries in the State; and
- 7        (3) Costs incurred to train employees to manufacture  
8        photovoltaic storage batteries in the State;
- 9        provided that "qualified development and manufacturing costs"  
10       does not include any costs for which another credit is claimed  
11       under this chapter.

12        §235-        Electric vehicle storage battery development and  
13        manufacturing tax credit. (a) There shall be allowed to each  
14        taxpayer subject to the tax imposed by this chapter, an electric  
15        vehicle storage battery development and manufacturing income tax  
16        credit, which shall be deductible from the taxpayer's net income  
17        tax liability, if any, imposed by this chapter for the taxable  
18        year in which the credit is properly claimed.

19        (b) The amount of the credit shall be                    per cent of  
20        the qualified development and manufacturing costs incurred



1 during the taxable year; provided that the total credit claimed  
2 per taxpayer shall not exceed \$ .

3 In the case of a partnership, S corporation, estate, or  
4 trust, the tax credit allowable is for qualified manufacturing  
5 costs incurred by the entity for the taxable year. The cost  
6 upon which the tax credit is computed shall be determined at the  
7 entity level. Distribution and share of credit shall be  
8 determined by section 704 of the Internal Revenue Code.

9 If a deduction is taken under section 179 (with respect to  
10 election to expense certain depreciable business assets) of the  
11 Internal Revenue Code, no tax credit shall be allowed for those  
12 costs for which the deduction is taken.

13 The basis of eligible property for depreciation or  
14 accelerated cost recovery system purposes for state income taxes  
15 shall be reduced by the amount of credit allowable and claimed.

16 (c) If the tax credit under this section exceeds the  
17 taxpayer's income tax liability, the excess of credits over  
18 liability shall be refunded to the taxpayer; provided that no  
19 refunds or payment on account of the tax credits allowed by this  
20 section shall be made for amounts less than \$1. Every claim,  
21 including amended claims, for a tax credit under this section



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

5 (d) The director of taxation:

6 (1) Shall prepare any forms that may be necessary to claim  
7 a credit under this section;

8 (2) May require the taxpayer to furnish information to  
9 ascertain the validity of the claim for credit made  
10 under this section; and

11 (3) May adopt rules pursuant to chapter 91 to effectuate  
12 the purposes of this section.

13 (e) The department of business, economic development, and  
14 tourism shall:

15 (1) Maintain records of the total amount of qualified  
16 development and manufacturing costs for each taxpayer  
17 claiming a credit;

18 (2) Verify the amount of the qualified development and  
19 manufacturing costs claimed;

20 (3) Total all qualified development and manufacturing  
21 costs claimed; and



1       (4) Certify the total amount of the tax credit for each  
2       taxable year.

3       Upon each determination, the department of business,  
4       economic development, and tourism shall issue a certificate to  
5       the taxpayer verifying the qualified development and  
6       manufacturing costs and the credit amount certified for each  
7       taxable year.

8       The taxpayer shall file the certificate with the taxpayer's  
9       tax return with the department of taxation. Notwithstanding the  
10      department of business, economic development, and tourism's  
11      certification authority under this section, the director of  
12      taxation may audit and adjust certification to conform to the  
13      facts.

14      (f) The tax credit allowed under this section shall be  
15      available for taxable years beginning after December 31, 2015,  
16      and shall not be available for taxable years beginning after  
17      December 31, 2025.

18      (g) As used in this section:

19      "Electric vehicle storage battery" means a battery that:

20      (1) Provides propulsion energy to a vehicle with four or  
21      more wheels;





- 1        (2) Has an energy storage capacity of at least four
- 2            kilowatt hours; and
- 3        (3) Can be recharged from a source of electricity that is
- 4            external to the vehicle.

5        "Net income tax liability" means income tax liability  
6 reduced by all other credits allowed under this chapter.

7        "Qualified development and manufacturing costs" means  
8 expenditures for:

- 9        (1) Costs incurred to purchase equipment to be used in the
- 10            development and manufacturing of electric vehicle
- 11            storage batteries in the State;
- 12        (2) Costs incurred to purchase supplies to be used in the
- 13            development and manufacturing of electric vehicle
- 14            storage batteries in the State; and
- 15        (3) Costs incurred to train employees to manufacture
- 16            electric vehicle storage batteries in the State;
- 17 provided that "qualified development and manufacturing costs"
- 18 does not include any costs for which another credit is claimed
- 19 under this chapter."

20        SECTION 2. New statutory material is underscored.



1 SECTION 3. This Act, upon its approval, shall apply to  
 2 taxable years beginning after December 31, 2015, but shall not  
 3 be available for taxable years beginning after December 31,  
 4 2025.  
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# H.B. NO. 2507

**Report Title:**

Income Tax Credits; Photovoltaic Storage Batteries; Electric Vehicle Storage Batteries

**Description:**

Establishes refundable income tax credits for the development and manufacturing of photovoltaic storage batteries and electric vehicle storage batteries.

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

