
A BILL FOR AN ACT

RELATING TO ENERGY STORAGE.

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

1 SECTION 1. The legislature finds that support for
2 independent renewable energy systems in Hawaii is in the public
3 interest, as the people of Hawaii struggle with the high cost of
4 electricity regulated through the public utilities commission.
5 The legislature further finds that energy storage is a critical
6 link for independent energy systems, plays a vital role in
7 modern, smart electrical grid systems, and maximizes the use of
8 renewable energy throughout Hawaii.

9 Hawaii has successfully utilized a renewable energy tax
10 credit to foster a sustainable local renewable energy industry
11 that has created jobs, catalyzed statewide energy savings,
12 improved our environment, and reduced greenhouse gas emissions.
13 However, the people of Hawaii continue to face an inefficient
14 public utilities structure, and need support for for alternative
15 methods of energy storage to benefit from independent renewable
16 energy systems for energy security.

17 The purpose of this Act is to support independent renewable
18 energy system storage structures that will increase the platform



1 of greater renewable energy resource utilization. Encouraging
2 the use of independent energy storage technologies will lighten
3 the load on our State's energy grid and electric systems while
4 supporting individual energy independence from an oppressive
5 state energy policy structure.

6 The legislature recognizes individual rights to self-
7 sufficiency through safe sustainable technologies that reduce
8 the demand on public infrastructure while utilizing readily
9 available renewable resources. Therefore, this Act establishes
10 a tax credit, limited in scope and duration, for independent
11 energy storage properties that may be claimed either as an
12 investment tax credit or utilization tax credit.

13 Both forms of tax credits are intended to promote the use
14 of independent energy storage that can address the varying needs
15 of our residents and relieve the electric grids that supply
16 those needs.

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

20 "§235- Energy storage; income tax credit. (a) There
21 shall be allowed to any taxpayer subject to taxes under this
22 chapter, an income tax credit for each independent energy



1 storage property that is installed and placed in service in the
2 State during the taxable year beginning after December 31, 2015;
3 provided that this tax credit shall not be available for taxable
4 years beginning after December 31, 2025. The tax credit may be
5 claimed in either, but not both, of the following forms:

6 (1) An investment credit equal to:

7 (A) For an independent energy storage property first
8 placed in service on or before December 31, 2020,
9 per cent of the basis; or

10 (B) For an independent storage property first placed
11 in service after December 31, 2020, and on or
12 before December 31, 2025, per cent of
13 the basis; or

14 (2) A utilization credit equal to:

15 (A) For an independent energy storage property first
16 placed in service on or before December 31, 2020,
17 and on or before December 31, 2025 cents per
18 kilowatt-hour of energy storage capacity;
19 or

20 (B) For an independent energy storage property first
21 placed in service after December 31, 2020, and on



1 or before December 31, 2025, cents per
2 kilowatt-hour of energy storage capacity.

3 The utilization credit may be claimed during each of
4 the first ten taxable years that the independent
5 energy storage property is in service; provided that
6 this annual utilization credit shall not exceed the
7 product of the energy storage capacity measured in
8 kilowatt-hours, multiplied by 365, multiplied by the
9 applicable number of cents per kilowatt-hour, and
10 shall not exceed an aggregate amount of \$
11 over the duration of this tax credit program.

12 If a deduction is taken under this chapter, no tax credit
13 shall be allowed for that portion of the independent energy
14 storage property for which the deduction was taken.

15 (b) Multiple owners of an independent storage property
16 shall be entitled to a single tax credit, and the tax credit
17 shall be apportioned between the owners in proportion to their
18 contribution to the basis of the independent energy storage
19 property.

20 (c) In the case of a partnership, S corporation, estate,
21 or trust, the tax credit allowable shall be for every eligible
22 independent energy storage property that is installed and placed



1 in service in the State by the entity. The basis upon which the
2 tax credit is computed shall be determined at the entity level.
3 Distribution and share of credit shall be determined pursuant to
4 section 704(b) of the Internal Revenue Code.

5 (d) For the purposes of this section:

6 "Basis" means the actual cost of the independent energy
7 storage property, including accessories, installation, storage
8 devices, power conditioning equipment, control or transfer
9 equipment, support structures, and other equipment related to
10 energy storage and the functioning of those items.

11 Basis shall not include costs for which another credit is
12 claimed under this chapter, costs for equipment which is
13 unrelated to the operation of the independent energy storage
14 property, the dollar value of any rebate received for the
15 independent energy storage property, or the cost of consumer
16 incentive premiums unrelated to the operation of the independent
17 energy storage property or offered with the sale of the
18 independent energy storage property.

19 The basis of the independent energy storage property shall
20 not be reduced by the amount of any federal tax credit or other
21 federally subsidized energy financing received by the taxpayer.



1 "Energy storage capacity" means the amount of electricity,
2 measured in kilowatt-hours or kilowatts, based on the storage
3 capability of the equipment, not its actual use when in
4 operation.

5 "First placed in service" has the same meaning as in title
6 26 Code of Federal Regulations section 1.167(a)-11(e)(1).

7 "Independent energy storage property" means equipment or
8 devices that are not connected to the electrical grid in either
9 a centralized or distributed manner, having a capacity of at
10 least ten kilowatt-hour or ten kilowatt, are certified by the
11 department of business, economic development, and tourism to
12 receive the tax credit, and do one or more of the following:

13 (1) Use mechanical, chemical, or thermal processes to
14 store energy received from renewable energy systems,
15 as that term is used in section 269-91, at one time
16 for use at a later time by returning electricity to
17 the user or by avoiding the need to use electricity
18 from the electrical grid at that later time by a
19 facility or property that is electrical grid-
20 connected;



- 1 (2) Use mechanical, chemical, or thermal processes to
2 store energy received from renewable energy systems,
3 as that term is used in section 269-91;
- 4 (3) Store thermal energy, created from electricity
5 received from renewable energy systems, as that term
6 is used in section 269-91, for direct use for heating
7 or cooling at a later time in a manner that avoids the
8 need to use electricity from the electrical grid at
9 that later time in a facility or property that is
10 electrical grid-connected; or
- 11 (4) Enable an energy storage device, primarily designed
12 for use in transportation, with or without vehicles,
13 to store and transmit energy from and to the
14 individual users in a manner consistent with paragraph
15 (1) or (2).
- 16 (e) The department of business, economic development, and
17 tourism shall issue to the taxpayer a certificate for each
18 independent energy storage property that qualifies for the tax
19 credit pursuant to this section. The certificate shall identify
20 the taxpayer type, property type, tax credit type, and
21 refundability type. The taxpayer shall submit the certificate



1 to the director of taxation along with any other forms or
2 information required pursuant to subsection (f).

3 (f) 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 (g) If the tax credit under subsection (a) (1) or (a) (2)
12 exceeds the taxpayer's income tax liability, the excess of the
13 credit over liability may be used as a credit against the
14 taxpayer's income tax liability in subsequent years until
15 exhausted, unless otherwise elected by the taxpayer pursuant to
16 subsection (h). All claims for the tax credit under this
17 section, including amended claims, shall be filed on or before
18 the end of the twelfth month following the close of the taxable
19 year for which the credit may be claimed. Failure to comply
20 with the foregoing provision shall constitute a waiver of the
21 right to claim the credit.



1 (h) For any independent energy storage property, a
2 taxpayer may elect to reduce the eligible credit amount by fifty
3 per cent and, if this reduced amount exceeds the amount of
4 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 independent 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 (i) An association of owners under chapter 514A or 514B, a
15 cooperative housing corporation under chapter 421I, or a planned
16 community association under chapter 421J may claim the credit
17 allowed under this section in its own name for independent
18 energy storage property placed in service and located on common
19 areas.

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



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

7 (1) The number of independent energy storage properties
8 that have qualified for a tax credit has been claimed
9 during the taxable year; and

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

13 SECTION 3. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$ or so much
15 thereof as may be necessary for fiscal year 2015-2016 for
16 administration of the tax credit established by section 2 of
17 this Act.

18 The sum appropriated shall be expended by the department of
19 taxation for the purposes of this Act.

20 SECTION 4. If any provision of this Act, or the
21 application thereof to any person or circumstance, is held
22 invalid, the invalidity does not affect other provisions or



1 applications of the Act that can be given effect without the
2 invalid provision or application, and to this end the provisions
3 of this Act are severable.

4 SECTION 5. New statutory material is underscored.

5 SECTION 6. This Act shall take effect on January 1, 2016;
6 provided that section 3 of this Act shall take effect on July 1,
7 2015.

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H.B. NO. 421

Report Title:

Energy Storage; Tax Credit; Investment; Utilization;
Appropriation

Description:

Establishes an income tax credit for each independent energy storage property installed and placed in service during the taxable year beginning after December 31, 2015; 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. Appropriates funds to administer the tax credit.

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

