
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. Section 196-6.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§196-6.5 Solar water heater system required for new**
4 **single-family residential construction.** (a) On or after
5 January 1, 2010, no building permit shall be issued for a new
6 single-family dwelling that does not include a solar water
7 heater system that meets the standards established pursuant to
8 section 269-44, unless the coordinator approves a variance. A
9 variance application shall only be accepted if submitted by an
10 architect or mechanical engineer licensed under chapter 464, who
11 attests that:

12 (1) Installation is impracticable due to poor solar
13 resource;

14 (2) Installation is cost-prohibitive based upon a life
15 cycle cost-benefit analysis that incorporates the
16 average residential utility bill and the cost of the
17 new solar water heater system with a life cycle that
18 does not exceed fifteen years;



1 (3) A renewable energy technology system[, ~~as defined in~~
2 ~~section 235-12.5,~~] is substituted for use as the
3 primary energy source for heating water; or

4 (4) A demand water heater device approved by Underwriters
5 Laboratories, Inc., is installed; provided that at
6 least one other gas appliance is installed in the
7 dwelling. For the purposes of this paragraph, "demand
8 water heater" means a gas-tankless instantaneous water
9 heater that provides hot water only as it is needed.

10 (b) A request for a variance shall be submitted to the
11 coordinator on an application prescribed by the coordinator and
12 shall include a description of the location of the property and
13 justification for the approval of a variance using the criteria
14 established in subsection (a). A variance shall be deemed
15 approved if not denied within thirty working days after receipt
16 of the variance application. The coordinator shall publicize:

17 (1) All applications for a variance within seven days
18 after receipt of the variance application; and

19 (2) The disposition of all applications for a variance
20 within seven days of the determination of the variance
21 application.



1 (c) The director of business, economic development, and
2 tourism may adopt rules pursuant to chapter 91 to impose and
3 collect fees to cover the costs of administering variances under
4 this section. The fees, if any, shall be deposited into the
5 energy security special fund established under section 201-12.8.

6 (d) Nothing in this section shall preclude any county from
7 establishing procedures and standards required to implement this
8 section.

9 (e) Nothing in this section shall preclude participation
10 in any utility demand-side management program or public benefits
11 fee program under part VII of chapter 269.

12 (f) As used in this section "renewable energy technology
13 system" means a new system that captures and converts a
14 renewable source of energy, such as solar or wind energy, into:

15 (1) A usable source of thermal or mechanical energy;

16 (2) Electricity; or

17 (3) Fuel."

18 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§235-12.5 Renewable energy technologies; income tax**
21 **credit.** (a) When the requirements of subsection [~~(d)~~] (c) are



1 met, each individual or corporate taxpayer that files an
2 individual or corporate net income tax return for a taxable year
3 may claim a tax credit under this section against the Hawaii
4 state individual or corporate net income tax. ~~[The tax credit~~
5 ~~may be claimed for every eligible renewable energy technology~~
6 ~~system that is installed and placed in service in the State by a~~
7 ~~taxpayer during the taxable year.]~~ The tax credit may be
8 claimed as follows:

9 (1) For each solar energy ~~[system:]~~ property that is used
10 exclusively to heat water and is installed and first
11 placed in service in the State by a taxpayer during
12 the taxable year: thirty-five per cent of the [actual
13 ~~cost or the cap amount determined in subsection (b),~~
14 ~~whichever is less; or]~~ basis up to the applicable cap
15 amount, which is determined as follows:

16 (A) \$2,250 per solar energy property for single-
17 family residential property;

18 (B) \$350 per unit per solar energy property for
19 multi-family residential property; and

20 (C) \$250,000 per solar energy property for commercial
21 property;



1 (2) For each solar energy property that is used primarily
2 to generate electricity and is installed and first
3 placed in service in the State by a taxpayer during
4 the taxable year:

5 (A) Twenty-five per cent of the basis for solar
6 energy property first placed in service after
7 December 31, 2017, and before January 1, 2021, up
8 to the applicable cap amount, which is determined
9 as follows:

10 (i) \$5,000 per solar energy property for single-
11 family residential property; provided that
12 if all or a portion of the solar energy
13 property is used to fulfill the substitute
14 renewable energy technology requirement
15 pursuant to section 196-6.5(a)(3), the
16 credit shall be reduced by twenty-five per
17 cent of the basis or \$2,250, whichever is
18 less;

19 (ii) \$350 per unit per solar energy property for
20 multi-family residential property; and



1 (iii) \$500,000 per solar energy property for
2 commercial property;

3 (B) Twenty per cent of the basis for solar energy
4 property first placed in service after
5 December 31, 2020, and before January 1, 2024, up
6 to the applicable cap amount, which is determined
7 as follows:

8 (i) \$5,000 per solar energy property for single-
9 family residential property; provided that
10 if all or a portion of the solar energy
11 property is used to fulfill the substitute
12 renewable energy technology requirement
13 pursuant to section 196-6.5(a)(3), the
14 credit shall be reduced by twenty per cent
15 of the basis or \$2,250, whichever is less;

16 (ii) \$350 per unit per solar energy property for
17 multi-family residential property; and

18 (iii) \$500,000 per solar energy property for
19 commercial property; and

20 (C) Fifteen per cent of the basis for solar energy
21 property first placed in service after



1 December 31, 2023, up to the applicable cap
2 amount, which is determined as follows:

3 (i) \$5,000 per solar energy property for single-
4 family residential property; provided that
5 if all or a portion of the solar energy
6 property is used to fulfill the substitute
7 renewable energy technology requirement
8 pursuant to section 196-6.5(a)(3), the
9 credit shall be reduced by fifteen per cent
10 of the basis or \$2,250, whichever is less;

11 (ii) \$350 per unit per solar energy property for
12 multi-family residential property; and

13 (iii) \$500,000 per solar energy property for
14 commercial property;

15 (3) For each solar energy property that is used primarily
16 to generate electricity and is installed and first
17 placed in service in the State by a taxpayer during
18 the taxable year; provided that the solar energy
19 property is grid-connected and incorporates an energy
20 storage property:



1 (A) Twenty-five per cent of the basis for solar
2 energy property first placed in service after
3 December 31, 2017, and before January 1, 2021, up
4 to the applicable cap amount, which is determined
5 as follows:

6 (i) \$10,000 per solar energy property for
7 single-family residential property; provided
8 that if all or a portion of the solar energy
9 property is used to fulfill the substitute
10 renewable energy technology requirement
11 pursuant to section 196-6.5(a)(3), the
12 credit shall be reduced by twenty-five per
13 cent of the basis or \$2,250, whichever is
14 less;

15 (ii) \$700 per unit per solar energy property for
16 multi-family residential property; and

17 (iii) \$500,000 per solar energy property for
18 commercial property;

19 (B) Twenty per cent of the basis for solar energy
20 property first placed in service after
21 December 31, 2020, and before January 1, 2024, up



1 to the applicable cap amount, which is determined
2 as follows:

3 (i) \$10,000 per solar energy property for
4 single-family residential property; provided
5 that if all or a portion of the solar energy
6 property is used to fulfill the substitute
7 renewable energy technology requirement
8 pursuant to section 196-6.5(a)(3), the
9 credit shall be reduced by twenty per cent
10 of the basis or \$2,250, whichever is less;

11 (ii) \$700 per unit per solar energy property for
12 multi-family residential property; and

13 (iii) \$500,000 per solar energy property for
14 commercial property; and

15 (C) Fifteen per cent of the basis for solar energy
16 property first placed in service after
17 December 31, 2023, up to the applicable cap
18 amount, which is determined as follows:

19 (i) \$10,000 per solar energy property for
20 single-family residential property; provided
21 that if all or a portion of the solar energy



1 property is used to fulfill the substitute
2 renewable energy technology requirement
3 pursuant to section 196-6.5(a)(3), the
4 credit shall be reduced by fifteen per cent
5 of the basis or \$2,250, whichever is less;

6 (ii) \$700 per unit per solar energy property for
7 multi-family residential property; and

8 (iii) \$500,000 per solar energy property for
9 commercial property;

10 (4) For each energy storage property that is installed and
11 first placed in service in the State by a taxpayer
12 during the taxable year, if the cost of the energy
13 storage property is not also included in the basis of
14 a solar or wind energy property under subsection (a):

15 (A) Twenty-five per cent of the basis for energy
16 storage property first placed in service after
17 December 31, 2017, and before January 1, 2021, up
18 to the applicable cap amount, which is determined
19 as follows:

20 (i) \$10,000 per energy storage property for
21 single-family residential property;



1 (ii) \$700 per unit per energy storage property
2 for multi-family residential property; and
3 (iii) \$500,000 per energy storage property for
4 commercial property;

5 (B) Twenty per cent of the basis for energy storage
6 property first placed in service after
7 December 31, 2020, and before January 1, 2024, up
8 to the applicable cap amount, which is determined
9 as follows:

10 (i) \$10,000 per energy storage property for
11 single-family residential property;

12 (ii) \$700 per unit per energy storage property
13 for multi-family residential property; and

14 (iii) \$500,000 per energy storage property for
15 commercial property; and

16 (C) Fifteen per cent of the basis for energy storage
17 property first placed in service after
18 December 31, 2023, up to the applicable cap
19 amount, which is determined as follows:

20 (i) \$10,000 per energy storage property for
21 single-family residential property;



- 1 (ii) \$700 per unit per energy storage property
2 for multi-family residential property; and
3 (iii) \$500,000 per energy storage property for
4 commercial property;

5 (5) For each combined energy storage and solar energy
6 system that is installed and first placed in service
7 in the State by a taxpayer during the taxable year the
8 applicable credit available for an energy storage
9 system under paragraph (4) of this subsection plus one
10 half of the available applicable credit for a solar
11 energy system under paragraph (2) or (3) of this
12 section; and

13 ~~[-2-]~~ (6) For each ~~[wind-powered]~~ wind energy ~~[system-]~~
14 property: twenty per cent of the [actual cost or the
15 cap amount determined in subsection (b)-] basis or
16 \$ _____, whichever is less[-].

17 ~~[provided that multiple]~~ Multiple owners of a single ~~[system]~~
18 property shall be entitled to a single tax credit; and ~~[provided~~
19 ~~further that]~~ the tax credit shall be apportioned between the
20 owners in proportion to their contribution to the cost of the
21 ~~[system-]~~ property.



1 In the case of a partnership, S corporation, estate, or
2 trust, the tax credit allowable is for every eligible [~~renewable~~
3 ~~energy technology system~~] solar or wind energy property that is
4 installed and placed in service in the State by the entity. The
5 cost upon which the tax credit is computed shall be determined
6 at the entity level. Distribution and share of credit shall be
7 determined pursuant to section [~~235-110.7(a)-~~] 704(b) of the
8 Internal Revenue Code.

9 [~~(b) The amount of credit allowed for each eligible~~
10 ~~renewable energy technology system shall not exceed the~~
11 ~~applicable cap amount, which is determined as follows:~~

12 ~~(1) If the primary purpose of the solar energy system is~~
13 ~~to use energy from the sun to heat water for household~~
14 ~~use, then the cap amounts shall be:~~

15 ~~(A) \$2,250 per system for single family residential~~
16 ~~property;~~

17 ~~(B) \$350 per unit per system for multi-family~~
18 ~~residential property; and~~

19 ~~(C) \$250,000 per system for commercial property;~~

20 ~~(2) For all other solar energy systems, the cap amounts~~
21 ~~shall be:~~



1 ~~(A) \$5,000 per system for single family residential~~
2 ~~property; provided that if all or a portion of~~
3 ~~the system is used to fulfill the substitute~~
4 ~~renewable energy technology requirement pursuant~~
5 ~~to section 196-6.5(a)(3), the credit shall be~~
6 ~~reduced by thirty five per cent of the actual~~
7 ~~system cost or \$2,250, whichever is less;~~

8 ~~(B) \$350 per unit per system for multi family~~
9 ~~residential property; and~~

10 ~~(C) \$500,000 per system for commercial property; and~~

11 ~~(3) For all wind powered energy systems, the cap amounts~~
12 ~~shall be:~~

13 ~~(A) \$1,500 per system for single family residential~~
14 ~~property; provided that if all or a portion of~~
15 ~~the system is used to fulfill the substitute~~
16 ~~renewable energy technology requirement pursuant~~
17 ~~to section 196-6.5(a)(3), the credit shall be~~
18 ~~reduced by twenty per cent of the actual system~~
19 ~~cost or \$1,500, whichever is less;~~

20 ~~(B) \$200 per unit per system for multi family~~
21 ~~residential property; and~~



1 ~~(C) \$500,000 per system for commercial property.~~

2 ~~(e)]~~ (b) For the purposes of this section:

3 ~~["Actual cost" means costs related to the renewable energy~~
4 ~~technology systems under subsection (a), including accessories~~
5 ~~and installation, but not including the cost of consumer~~
6 ~~incentive premiums unrelated to the operation of the system or~~
7 ~~offered with the sale of the system and costs for which another~~
8 ~~credit is claimed under this chapter.~~

9 ~~"Household use" means any use to which heated water is~~
10 ~~commonly put in a residential setting, including commercial~~
11 ~~application of those uses.~~

12 ~~"Renewable energy technology system" means a new system~~
13 ~~that captures and converts a renewable source of energy, such as~~
14 ~~solar or wind energy, into:~~

15 ~~(1) A usable source of thermal or mechanical energy;~~

16 ~~(2) Electricity; or~~

17 ~~(3) Fuel.]~~

18 "Basis" means costs related to the solar energy, wind
19 energy, or energy storage property under subsection (a),
20 including accessories, energy storage, and installation, but
21 does not include the cost of consumer incentive premiums



1 unrelated to the operation of the energy property or offered
2 with the sale of the energy property and costs for which another
3 credit is claimed under this chapter. Any cost incurred and paid
4 for the repair, construction, or reconstruction of a structure in
5 conjunction with the installation and placing in service of solar
6 or wind energy property, such as the reroofing of single-family
7 residential property, multi-family residential property, or
8 commercial property, shall not constitute a part of the basis for
9 the purpose of this section; provided that costs incurred for the
10 physical support of the solar or wind energy property, such as
11 racking and mounting equipment and costs incurred to seal or
12 otherwise return a roof to its pre-installation condition shall
13 constitute part of the basis for the purposes of this section.

14 The basis used under this section shall be consistent with
15 the use of basis in section 25D or section 48 of the Internal
16 Revenue Code.

17 "Energy storage property" means any identifiable facility,
18 equipment, or apparatus, including battery, grid-interactive
19 water heater, ice storage air-conditioner, or the like, that is
20 permanently fixed to a site and electrically connected to a site
21 distribution panel by means of an installed wiring, and that



1 receives electricity generated from various sources, stores that
2 electricity as electrical, chemical, thermal, or mechanical
3 energy, and delivers the energy back to an electric utility or
4 the user of the electric system at a later time.

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

7 "Grid-connected" means that the individual or corporate
8 taxpayer has obtained an approved interconnection agreement from
9 an electric utility for the solar energy property.

10 "Solar or wind energy [~~system~~] property" means any
11 identifiable facility, equipment, apparatus, or the like that
12 converts solar or wind energy to useful thermal or electrical
13 energy for heating, cooling, or reducing the use of other types
14 of energy that are dependent upon fossil fuel for their
15 generation[-]; provided that:

16 (1) The construction, reconstruction, or erection of the
17 solar or wind energy property is completed by the
18 taxpayer; or

19 (2) The solar or wind energy property is acquired by the
20 taxpayer if the original use of the solar or wind
21 energy property commences with the taxpayer.



1 ~~[(d)]~~ (c) For taxable years beginning after December 31,
2 2005, the dollar amount of any utility rebate shall be deducted
3 from the ~~[cost]~~ basis of the qualifying ~~[system]~~ property and
4 its installation before applying the state tax credit.

5 ~~[(e)]~~ (d) The director of taxation shall prepare any forms
6 that may be necessary to claim a tax credit under this section,
7 including forms identifying the technology type of each tax
8 credit claimed under this section~~[, whether for solar or wind]~~.

9 The director may also require the taxpayer to furnish reasonable
10 information to ascertain the validity of the claim for credit
11 made under this section and may adopt rules necessary to
12 effectuate the purposes of this section pursuant to chapter 91.

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



1 subsection shall constitute a waiver of the right to claim the
2 credit.

3 ~~[(g)]~~ (f) For solar or wind energy ~~[systems]~~ properties,
4 a taxpayer may elect to reduce the eligible credit amount by
5 thirty per cent and if this reduced amount exceeds the amount of
6 income tax payment due from the taxpayer, the excess of the
7 credit amount over payments due shall be refunded to the
8 taxpayer; provided that tax credit amounts properly claimed by a
9 taxpayer who has no income tax liability shall be paid to the
10 taxpayer; and provided further that no refund on account of the
11 tax credit allowed by this section shall be made for amounts
12 less than \$1.

13 The election required by this subsection shall be made in a
14 manner prescribed by the director on the taxpayer's return for
15 the taxable year in which the ~~[system]~~ solar or wind energy
16 property is installed and first placed in service. A separate
17 election may be made for each separate ~~[system]~~ solar or wind
18 energy property that generates a credit. An election once made
19 is irrevocable.

20 ~~[(h)]~~ (g) Notwithstanding subsection ~~[(g)]~~ (f), for any
21 ~~[renewable energy technology system]~~ solar or wind energy



1 property an individual taxpayer may elect to have any excess of
2 the credit over payments due refunded to the taxpayer[7] without
3 discount, if:

4 (1) All of the taxpayer's income is exempt from taxation
5 under section 235-7(a)(2) or (3); or

6 (2) The taxpayer's adjusted gross income is \$20,000 or
7 less (or \$40,000 or less if filing a tax return as
8 married filing jointly);

9 provided that tax credits properly claimed by a taxpayer who has
10 no income tax liability shall be paid to the taxpayer; and
11 provided further that no refund on account of the tax credit
12 allowed by this section shall be made for amounts less than \$1.

13 A husband and wife who do not file a joint tax return shall
14 only be entitled to make this election to the extent that they
15 would have been entitled to make the election had they filed a
16 joint tax return.

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 [system] solar or wind energy
20 property is installed and first placed in service. A separate
21 election may be made for each separate [system] solar or wind



1 energy property that generates a credit. An election once made
2 is irrevocable.

3 ~~[(i)]~~ (h) No taxpayer shall be allowed a credit under this
4 section for the portion of the renewable energy technology
5 system required by section 196-6.5 that is installed and first
6 placed in service on any newly constructed single-family
7 residential property authorized by a building permit issued on
8 or after January 1, 2010.

9 (i) The tax credit under this section shall be construed
10 in accordance with federal regulations and judicial
11 interpretations of similar provisions in sections 25D, 45, and
12 48 of the Internal Revenue Code.

13 (j) A planned community association, condominium
14 association of owners, or cooperative housing corporation may
15 claim the tax credit under this section in its own name for
16 property or facilities placed in service and located on common
17 areas.

18 (k) 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.



1 (1) No credit under this section shall be allowed after
2 the taxable year ending December 31, 2035.

3 ~~[(j)]~~ (m) To the extent feasible, using existing resources
4 to assist the energy-efficiency policy review and evaluation,
5 the department shall assist with data collection on the
6 following for each taxable year:

7 (1) The number of ~~[renewable energy technology systems]~~
8 solar or wind energy properties that have qualified
9 for a tax credit during the calendar year by:

10 (A) Technology type; and

11 (B) Taxpayer type (corporate and individual); and

12 (2) The total cost of the tax credit to the State during
13 the taxable year by:

14 (A) Technology type; and

15 (B) Taxpayer type.

16 ~~[(k) This section shall apply to eligible renewable energy~~
17 ~~technology systems that are installed and placed in service on~~
18 ~~or after July 1, 2009.] "~~

19 SECTION 3. If any provision of this Act, or the
20 application thereof to any person or circumstance, is held
21 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 4. This Act does not affect rights and duties that
5 matured, penalties that were incurred, and proceedings that were
6 begun before its effective date.

7 SECTION 5. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 6. This Act shall take effect on July 1, 2017, and
10 shall apply to taxable years beginning after December 31, 2017.

11



Report Title:

Renewable Energy; Solar and Wind Energy Property; Tax Credit

Description:

Replaces the current renewable energy technology systems tax credit with tax credits for solar energy property, wind energy property, and energy storage property. Applies to taxable years beginning after 12/31/2017. Sunsets tax credit 12/31/2035.
(SD1)

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

