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# A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS.

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

1           SECTION 1. In 1976, the legislature, recognizing the  
2 critical importance of renewable energy to the State, enacted  
3 Act 189, which established income tax credits to encourage  
4 investment in renewable energy systems. The Act has been  
5 amended to vary credit rates, duration of credits, and include  
6 emergent, viable renewable energy technologies. The legislature  
7 found in 2008 that fossil fuel imports account for a greater  
8 impact upon Hawaii's economy than at any prior time, despite  
9 Hawaii being blessed with the greatest number of renewable  
10 energy resources in the nation.

11           The purpose of this Act is to encourage investment in the  
12 deployment of seawater air conditioning as a renewable energy  
13 technology by amending the renewable energy technologies tax  
14 credit.

15           SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is  
16 amended as follows:

17           1. By amending subsections (a) through (c) to read:



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

10           (1) For each solar energy system: thirty-five per cent of  
 11 the actual cost or the cap amount determined in  
 12 subsection (b), whichever is less; ~~[or]~~

13           (2) For each wind-powered energy system: twenty per cent  
 14 of the actual cost or the cap amount determined in  
 15 subsection (b), whichever is less; or

16           (3) For each commercial air conditioning system connected  
 17 to a seawater air conditioning district cooling  
 18 system: the actual cost of connecting the commercial  
 19 air conditioning system to the seawater air  
 20 conditioning district cooling system or the cap amount  
 21 determined in subsection (b), whichever is less;



1 provided that multiple owners of a single system shall be  
2 entitled to a single tax credit; and provided further that the  
3 tax credit shall be apportioned between the owners in proportion  
4 to their contribution to the cost of the system.

5 In the case of a partnership, S corporation, estate, or  
6 trust, the tax credit allowable is for every eligible renewable  
7 energy technology system that is installed and placed in service  
8 in the State by the entity. The cost upon which the tax credit  
9 is computed shall be determined at the entity level.  
10 Distribution and share of credit shall be determined pursuant to  
11 section 235-110.7(a).

12 (b) The amount of credit allowed for each eligible  
13 renewable energy technology system shall not exceed the  
14 applicable cap amount, which is determined as follows:

15 (1) If the primary purpose of the solar energy system is  
16 to use energy from the sun to heat water for household  
17 use, then the cap amounts shall be:

18 (A) \$2,250 per system for single-family residential  
19 property;

20 (B) \$350 per unit per system for multi-family  
21 residential property; and



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- 1 (C) \$250,000 per system for commercial property;
- 2 (2) For all other solar energy systems, the cap amounts
- 3 shall be:
- 4 (A) \$5,000 per system for single-family residential
- 5 property; provided that if all or a portion of
- 6 the system is used to fulfill the substitute
- 7 renewable energy technology requirement pursuant
- 8 to section 196-6.5(a)(3), the credit shall be
- 9 reduced by thirty-five per cent of the actual
- 10 system cost or \$2,250, whichever is less;
- 11 (B) \$350 per unit per system for multi-family
- 12 residential property; and
- 13 (C) \$500,000 per system for commercial property;
- 14 [and]
- 15 (3) For all wind-powered energy systems, the cap amounts
- 16 shall be:
- 17 (A) \$1,500 per system for single-family residential
- 18 property; provided that if all or a portion of
- 19 the system is used to fulfill the substitute
- 20 renewable energy technology requirement pursuant
- 21 to section 196-6.5(a)(3), the credit shall be



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1 reduced by twenty per cent of the actual system  
2 cost or \$1,500, whichever is less;

3 (B) \$200 per unit per system for multi-family  
4 residential property; and

5 (C) \$500,000 per system for commercial property[-];  
6 and

7 (4) For each commercial air conditioning system connected  
8 to a seawater air conditioning district cooling  
9 system, the cap amount shall be \$500,000 per system.

10 (c) For the purposes of this section:

11 "Actual cost" means costs related to the renewable energy  
12 technology systems under subsection (a), including accessories  
13 and installation, but not including the cost of consumer  
14 incentive premiums unrelated to the operation of the system or  
15 offered with the sale of the system and costs for which another  
16 credit is claimed under this chapter.

17 "Commercial air conditioning system" means a building air  
18 conditioning system for commercial, office, or residential  
19 buildings connected to a seawater air conditioning district  
20 cooling system.



1 "Household use" means any use to which heated water is  
2 commonly put in a residential setting, including commercial  
3 application of those uses.

4 "Renewable energy technology system" means a new system  
5 that captures and converts a renewable source of energy, such as  
6 solar or wind energy, into:

- 7 (1) A usable source of thermal or mechanical energy;  
8 (2) Electricity; or  
9 (3) Fuel.

10 "Seawater air conditioning district cooling system" means  
11 an identifiable facility, equipment, apparatus, or the like that  
12 utilizes naturally occurring cold, deep seawater as its primary  
13 source of cooling that centralizes chilled water production into  
14 a single central chiller plant for distribution of the chilled  
15 water to multiple commercial air conditioning systems.

16 "Solar or wind energy system" means any identifiable  
17 facility, equipment, apparatus, or the like that converts solar  
18 or wind energy to useful thermal or electrical energy for  
19 heating, cooling, or reducing the use of other types of energy  
20 that are dependent upon fossil fuel for their generation."

21 2. By amending subsection (e) to read:



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1           "(e) The director of taxation shall prepare any forms that  
2 may be necessary to claim a tax credit under this section,  
3 including forms identifying the technology type of each tax  
4 credit claimed under this section[~~, whether for solar or wind~~].  
5 The director may also require the taxpayer to furnish reasonable  
6 information to ascertain the validity of the claim for credit  
7 made under this section and may adopt rules necessary to  
8 effectuate the purposes of this section pursuant to chapter 91."

9           SECTION 3. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11           SECTION 4. This Act shall take effect on July 1, 2019, and  
12 shall apply to taxable years beginning after December 31, 2018.

13

INTRODUCED BY:           *Thomas Orr* B/R          

JAN 24 2019



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**Report Title:**

Renewable Energy Technologies Tax Credit; Seawater Air Conditioning

**Description:**

Amends the renewable energy technologies income tax credit to include commercial seawater air conditioning systems.

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