

STAND. COM. REP. NO.

663

Honolulu, Hawaii

FEB 15 2019

RE: S.B. No. 1163  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,  
to which was referred S.B. No. 1163 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to replace the  
current renewable energy technologies income tax credit with tax  
credits for solar energy systems, wind energy systems, and energy  
storage systems.

Your Committee received testimony in support of this measure  
from Honolulu Seawater Air Conditioning, LLC; Clearway Energy  
Group; Tesla; Adon Construction Inc.; O'ahu County Committee on  
Legislative Priorities of the Democratic Party of Hawai'i; and one  
individual. Your Committee received testimony in opposition to  
this measure from The Alliance for Solar Choice. Your Committee  
received comments on this measure from the Department of Taxation,  
Tax Foundation of Hawaii, and Hawaiian Electric Companies.

Your Committee finds that Hawaii has some of the highest  
living costs in the country. Families with lower incomes or on  
fixed incomes can be especially burdened by high energy costs, so  
initiatives to make renewable energy generation more financially  
feasible have the potential to help families who are in greater  
need of assistance. In addition, Hawaii's efforts to reduce its



reliance on fossil fuels are well served by incentives such as the renewable energy technologies income tax credit.

This measure replaces the renewable energy technologies income tax credit with separate tax credits for solar energy systems, wind energy systems, and energy storage systems and further subdivides solar energy systems into systems used exclusively to heat water and systems used primarily to generate electricity. This measure also gradually ramps down the tax incentives for the systems allowed tax credits, in recognition of the reduced need for these types of incentives as the State nears accomplishment of its energy efficiency goals.

Your Committee finds that certain amendments to this measure are necessary to ensure that the tax incentives are only applicable to solar energy systems connected to the electric grid, ramp down the credit more quickly and frequently, and remove incentives for energy storage systems, in order to balance the incentives against the financial interests of the State and taxpayers and to ensure that the enhanced incentives provide the greatest benefit to families at lower incomes or on a fixed income.

Your Committee has amended this measure by:

- (1) Specifying that the tax credit only applies to solar energy systems and wind energy systems that are grid-connected;
- (2) Adding a credit cap for multi-family residential property classified as low-income, affordable housing, or senior housing at \$700 per unit per grid-connected solar energy system;
- (3) Reducing the solar energy systems single-family residential credit from \$5,000 to \$2,500;
- (4) Reducing the solar energy systems commercial property credit from \$500,000 to \$250,000 per system;
- (5) Adding a credit of \$750,000 per utility scale solar energy system providing electricity to an electric

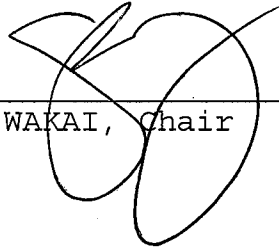


utility under a power purchase agreement and approved by the public utilities commission;

- (6) Allowing the credit to also be claimed for commercial seawater air conditioning systems and making related conforming amendments;
- (7) Making the credit no longer available in taxable years ending after December 31, 2026;
- (8) Increasing the rate of the ramp down of credits for solar energy systems;
- (9) Removing the credit for energy storage systems;
- (10) Specifying that a credit for certain solar energy systems for commercial properties shall take effect upon the measure taking effect; and
- (11) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1163, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1163, S.D. 1, and be referred to your Committee on Ways and Means.

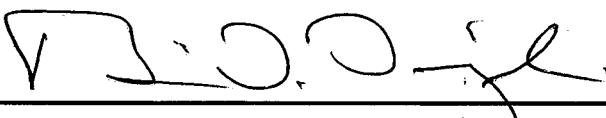
Respectfully submitted on  
behalf of the members of the  
Committee on Energy, Economic  
Development, and Tourism,

  
\_\_\_\_\_  
GLENN WAKAI, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Energy, Economic Development, and Tourism**  
**EET**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1163	EET, WAM	2/11/19		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
INOUYE, Lorraine R.	✓			
KEOHOKALOLE, Jarrett	✓			
FEVELLA, Kurt				✓
<b>TOTAL</b>	4	0	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted				
<input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
<b>Distribution:</b>				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes