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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, Session Laws of Hawaii 1976 (Act 189), which  
4 established income tax credits to encourage investment in  
5 renewable energy systems. Since the enactment of Act 189, state  
6 law has been amended to authorize varying tax credit rates and  
7 durations of tax credits, and to include emergent, viable  
8 renewable energy technologies among technologies eligible for  
9 tax credits. In 2008, the legislature found that fossil fuel  
10 imports account for a greater impact upon Hawaii's economy than  
11 at any prior time, despite Hawaii being blessed with the  
12 greatest number of renewable energy resources in the nation.

13           The purpose of this Act is to encourage investment in the  
14 deployment of seawater air conditioning as a renewable energy  
15 technology by establishing an income tax credit for commercial  
16 seawater air conditioning systems connecting to a seawater air  
17 conditioning district cooling system.



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

4 "§235- Seawater air conditioning district cooling  
5 system connection; income tax credit. (a) There shall be  
6 allowed to each taxpayer subject to the tax imposed under this  
7 chapter, a tax credit that shall be deductible from the  
8 taxpayer's net income tax liability, if any, imposed by this  
9 chapter for the taxable year in which the credit is properly  
10 claimed.

11 (b) For each commercial air conditioning system connecting  
12 to a seawater air conditioning district cooling system, the tax  
13 credit shall be the actual cost of connecting the commercial  
14 seawater air conditioning system to the seawater air  
15 conditioning district cooling system or \$250,000, whichever is  
16 less, per multi-family residential or commercial property;  
17 provided that the total amount of all tax credits allowed under  
18 this section shall not exceed \$5,000,000 for all qualified  
19 taxpayers in any taxable year.

20 (c) In the case of a partnership, S corporation, estate,  
21 or trust, the tax credit allowable is for qualified expenses



1 incurred by the entity for the taxable year. The expenses upon  
2 which the tax credit is computed shall be determined at the  
3 entity level. Distribution and share of credit shall be  
4 determined by rule.

5 (d) For commercial seawater air conditioning systems, the  
6 Hawaii state energy office shall:

7 (1) Certify all systems for which a credit is claimed  
8 under this section;

9 (2) Collect and maintain a record of all qualified  
10 expenses for each taxpayer claiming a credit; and

11 (3) Certify to each taxpayer the amount of credit the  
12 taxpayer may claim; provided that if, in any year, the  
13 annual amount of certified credits reaches \$5,000,000  
14 in the aggregate, the Hawaii state energy office shall  
15 immediately discontinue certifying credits and notify  
16 the department of taxation.

17 The chief energy officer may adopt rules under chapter 91  
18 as necessary to implement the certification requirements of this  
19 subsection.

20 (e) The director of taxation shall prepare any forms that  
21 may be necessary to claim a tax credit under this section. The



1 director may also require the taxpayer to furnish reasonable  
2 information to ascertain the validity of the claim for the tax  
3 credit made under this section and may adopt rules necessary to  
4 effectuate the purposes of this section pursuant to chapter 91.

5 (f) If the tax credit under this section exceeds the  
6 taxpayer's income tax liability, the excess of the credit over  
7 liability may be used as a credit against the taxpayer's income  
8 tax liability in subsequent years until exhausted. All claims  
9 for the tax credit under this section, including amended claims,  
10 shall be filed on or before the end of the twelfth month  
11 following the close of the taxable year for which the credit may  
12 be claimed. Failure to comply with this subsection shall  
13 constitute a waiver of the right to claim the credit.

14 (g) For the purposes of this section:

15 "Actual cost" means costs related to the seawater air  
16 conditioning district cooling system connection, including  
17 accessories and installation.

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



1       "Property" means a single, definable portion of real  
2 property located in the State as described in a title recorded  
3 with the bureau of conveyances or land court that is allowed by  
4 applicable law to be sold in fee simple separately from any  
5 other real property located in the State.

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

12       (h) This section shall apply to eligible seawater air  
13 conditioning district cooling system connections that are  
14 installed and placed in service on or after December 31, 2020."

15       SECTION 3. New statutory material is underscored.

16       SECTION 4. This Act shall take effect on July 1, 2050;  
17 provided that this Act, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2020, and shall not  
19 apply to taxable years beginning after December 31, 2030.



**Report Title:**

Income Tax Credit; Seawater Air Conditioning

**Description:**

Establishes an income tax credit for commercial seawater air conditioning systems connecting to a seawater air conditioning district cooling system. Requires the Hawaii state energy office to certify tax credits. Applies to eligible seawater air conditioning systems that are placed into service on or after 12/31/2020. Makes tax credit inapplicable for taxable years after 12/31/2030. Effective 7/1/2050. (HD1)

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

