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# A BILL FOR AN ACT

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RELATING TO TAXATION.

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

1       SECTION 1.   Section 235-12.5, Hawaii Revised Statutes, is  
2 amended as follows:

3       1.   By amending subsection (a) to read:

4       "(a)   Each individual or corporate taxpayer that files an  
5 individual or corporate net income tax return for a taxable year  
6 may claim a tax credit under this section against the Hawaii  
7 state individual or corporate net income tax.   The tax credit  
8 may be claimed for every eligible renewable energy technology  
9 system that is installed and placed in service in the State by a  
10 taxpayer during the taxable year.   The tax credit may be claimed  
11 as follows:

12       (1)   For each solar energy system:   thirty-five per cent of  
13           the actual cost or the cap amount determined in  
14           subsection (b); provided that:

15       (A)   For taxable years beginning after December 31,  
16           2019, and except as provided in subparagraphs (B)  
17           and (C), no tax credit may be claimed for a solar  
18           energy system that is five megawatts in total



1 output capacity or larger and requires a power  
2 purchase agreement approved by the public  
3 utilities commission;

4 (B) A solar energy system that is five megawatts in  
5 total output capacity or larger, installed and  
6 placed in service pursuant to a power purchase  
7 agreement approved or pending approval by a  
8 decision and order by the public utilities  
9 commission prior to December 31, 2019, shall  
10 continue to receive a tax credit equal to thirty-  
11 five per cent of the actual cost, or \$500,000 per  
12 solar energy system that has a total output  
13 capacity of at least one thousand kilowatts per  
14 system of direct current, whichever is less; and

15 (C) For each solar energy system integrated with a  
16 pumped hydroelectric energy storage system, the  
17 tax credit may be claimed for thirty-five per  
18 cent of the actual cost or the cap amount  
19 determined in subsection (b), whichever is less;  
20 provided that applicable project approval filings



1 have been made to the public utilities commission  
2 by December 31, 2021; [~~or~~]

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

6 (3) For each firm renewable energy system: twenty per cent  
7 of the actual cost or the cap amount of \$750,000 per  
8 firm renewable energy system that has a total output  
9 of at least one thousand kilowatts per system of  
10 alternating current, whichever is less; or

11 (4) For each long-duration renewable energy storage  
12 system: twenty per cent of the actual cost or the cap  
13 amount of \$750,000 per long-duration renewable energy  
14 storage system that has a total output of at least one  
15 thousand kilowatts per system of alternating current,  
16 whichever is less;

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



1        The amount of the tax credit claimed under paragraphs (3)  
2 and (4) by a taxpayer shall not exceed \$3,500,000 per taxable  
3 year. The total amount of tax credits allowed under paragraphs  
4 (3) and (4) shall not exceed \$20,000,000 for all eligible  
5 taxpayers in any calendar year. If the credit claims under  
6 these paragraphs exceed \$20,000,000 for all eligible taxpayers  
7 in any given calendar year, the \$20,000,000 shall be divided  
8 between all eligible taxpayers for that year in proportion to  
9 their rated capacities.

10        In the case of a partnership, S corporation, estate, or  
11 trust, the tax credit allowable is for every eligible renewable  
12 energy technology system that is installed and placed in service  
13 in the State by the entity. The cost upon which the tax credit  
14 is computed shall be determined at the entity level.  
15 Distribution and share of credit shall be determined pursuant to  
16 administrative rule."

17        2. By amending subsection (c) to read:

18        "(c) For the purposes of this section:

19        "Actual cost" means costs related to the renewable energy  
20 technology systems under subsection (a), including accessories  
21 and installation, but not including the cost of consumer



1 incentive premiums unrelated to the operation of the system or  
2 offered with the sale of the system and costs for which another  
3 credit is claimed under this chapter.

4 "Firm renewable energy system" means a renewable energy  
5 technology system that is always available and capable of  
6 continually producing energy, twenty-four hours per day, three  
7 hundred sixty-five days per year, on the demand of the energy  
8 system's operator, at its rated capacity, subject only to  
9 routine maintenance and emergency repairs.

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

13 "Long-duration renewable energy storage system" means a  
14 renewable energy storage technology system that:

- 15 (1) Is charged at a minimum of seventy-five per cent by  
16 renewable energy on an annual measuring period;  
17 (2) Is available and dispatchable by the energy system's  
18 operator; and  
19 (3) Can discharge continuously at its rated capacity over  
20 at least a six-hour period within a twenty-four hour  
21 period,



1 subject only to routine maintenance and emergency repairs.

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

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

6 (2) Electricity; or

7 (3) Fuel.

8 "Solar or wind energy system" means any identifiable  
9 facility, equipment, apparatus, or the like that converts solar  
10 or wind energy to useful thermal or electrical energy for  
11 heating, cooling, or reducing the use of other types of energy  
12 that are dependent upon fossil fuel for their generation."

13 3. By amending subsections (g) through (i) to read:

14 "(g) For solar energy systems, firm renewable energy  
15 systems, and long-duration renewable energy storage systems, a  
16 taxpayer may elect to reduce the eligible credit amount by  
17 thirty per cent and if this reduced amount exceeds the amount of  
18 income tax payment due from the taxpayer, the excess of the  
19 credit amount over payments due shall be refunded to the  
20 taxpayer; provided that tax credit amounts properly claimed by a  
21 taxpayer who has no income tax liability shall be paid to the



1 taxpayer; ~~and~~ provided further that no refund on account of  
2 the tax credit allowed by this section shall be made for amounts  
3 less than \$1.

4 The election required by this subsection shall be made in a  
5 manner prescribed by the director on the taxpayer's return for  
6 the taxable year in which the system is installed and placed in  
7 service. A separate election may be made for each separate  
8 system that generates a credit. An election once made is  
9 irrevocable.

10 (h) Notwithstanding subsection (g), for any renewable  
11 energy technology system, firm renewable energy system, or long-  
12 duration renewable energy storage system, an individual taxpayer  
13 may elect to have any excess of the credit over payments due  
14 refunded to the taxpayer, if:

15 (1) All of the taxpayer's income is exempt from taxation

16 under section 235-7(a)(2) or (3); or

17 (2) The taxpayer's adjusted gross income is \$20,000 or

18 less (or \$40,000 or less if filing a tax return as

19 married filing jointly);

20 provided that tax credits properly claimed by a taxpayer who has  
21 no income tax liability shall be paid to the taxpayer; ~~and~~



1 provided further that no refund on account of the tax credit  
2 allowed by this section shall be made for amounts less than \$1.

3 A [~~husband and wife~~] married couple who do not file a joint  
4 tax return shall only be entitled to make this election to the  
5 extent that they would have been entitled to make the election  
6 had they filed a joint tax return.

7 The election required by this subsection shall be made in a  
8 manner prescribed by the director on the taxpayer's return for  
9 the taxable year in which the system is installed and placed in  
10 service. A separate election may be made for each separate  
11 system that generates a credit. An election once made is  
12 irrevocable.

13 (i) No other tax credit may be claimed under this chapter  
14 for the costs incurred to produce the renewable energy  
15 technology systems that are used to properly claim a tax credit  
16 under this section for the taxable year. No taxpayer shall be  
17 allowed a credit under this section for the portion of the  
18 renewable energy technology system required by section 196-6.5  
19 that is installed and placed in service on any newly constructed  
20 single-family residential property authorized by a building  
21 permit issued on or after January 1, 2010."





1 4. By amending subsection (k) to read:

2 "(k) This section shall apply to eligible renewable energy  
3 technology systems that are installed and placed in service on  
4 or after July 1, 2009[+] and before January 1, 2046."

5 SECTION 2. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 3. This Act shall take effect upon its approval  
8 and shall apply to taxable years beginning after December 31,  
9 2021.



**Report Title:**

Renewable Energy Technologies; Income Tax Credit; Firm Renewable Energy Systems; Long-Duration Renewable Energy Storage Systems

**Description:**

Expands the renewable energy technologies income tax credit to include firm renewable energy systems and long-duration renewable energy storage systems. Caps the amount of credit that may be claimed by a tax payer and the total amount of tax credits for certain firm renewable energy systems and long-duration renewable energy storage systems that may be claimed in a taxable year . Specifies that the income tax credit is available for eligible systems that are placed in service before 1/1/2046. (CD1)

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