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# A BILL FOR AN ACT

RELATING TO RENEWABLE FUEL.

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

1           SECTION 1. The legislature finds that section 269-92(a),  
2 Hawaii Revised Statutes, requires each utility company that  
3 sells electricity for consumption in the State to establish a  
4 renewable portfolio standard of forty per cent of its net  
5 electricity generation by December 31, 2030, seventy per cent of  
6 its net electricity generation by December 31, 2040, and one  
7 hundred per cent of its net electricity generation by  
8 December 31, 2045.

9           The legislature further finds that for electric utility  
10 companies to meet the required renewable portfolio standards, a  
11 significant component of each electric utility company's  
12 renewable portfolio standard must include sufficient locally  
13 sourced, firm renewable energy sources to offset the  
14 intermittent nature of wind and solar-powered renewable energy.

15           The legislature further finds that to ensure sustainable  
16 inventories of locally sourced, firm renewable energy for  
17 electric utility companies' renewable portfolio standards, long-



1 term planning that includes incentives are essential for  
2 investment and development of locally sourced, firm renewable  
3 energy production.

4 The legislature further finds that sea level rise, ozone  
5 layer depletion, and global warming threaten the health and  
6 safety of the State's residents and environment. The  
7 legislature finds that the recycling of cooking oil waste  
8 diverts oil waste from sewer pipes and landfills, and the use of  
9 cover crops on farms and fallow lands are important aspects of  
10 land management that help prevent wildfires, heal land and soil,  
11 and promote biodiversity over monocropping.

12 Accordingly, the purpose of this Act is to update the  
13 renewable fuels production tax credit to incentivize locally  
14 grown, produced, generated, or collected renewable fuel sold in  
15 the State.

16 SECTION 2. Section 235-110.32, Hawaii Revised Statutes, is  
17 amended as follows:

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

19 "(a) Each year during the credit period, there shall be  
20 allowed to each taxpayer subject to the taxes imposed by this  
21 chapter a renewable fuels production tax credit that shall be



1 applied to the taxpayer's net income tax liability, if any,  
2 imposed by this chapter for the taxable year in which the credit  
3 is properly claimed.

4 For each taxpayer producing renewable fuels, the annual  
5 dollar amount of the renewable fuels production tax credit  
6 during the [~~ten-year~~] credit period shall [~~be~~] include an amount  
7 equal to 20 cents per seventy-six thousand British thermal units  
8 of renewable fuels using the lower heating value sold for  
9 distribution in the State; provided that the taxpayer's  
10 production of renewable fuels is not less than two billion five  
11 hundred million British thermal units lower heating value of  
12 renewable fuels per calendar year; provided further that the  
13 amount of the tax credit claimed under this section by a  
14 taxpayer shall not exceed [~~\$3,500,000~~] seventy-five per cent of  
15 the total amount of tax credits allowed under this section per  
16 taxable year; provided further that there shall be an additional  
17 credit in an amount equal to 15 cents per seventy-six thousand  
18 British thermal units of renewable fuels using the lower heating  
19 value for renewable fuels, inclusive of sustainable aviation  
20 fuels, produced from renewable feedstock locally grown or  
21 recycled in the State; provided further that the tax credit



1 shall only be claimed for [~~fuels~~] a renewable fuel with  
2 lifecycle greenhouse gas emissions at least seventy-five per  
3 cent below that of the fossil [~~fuels~~] fuel most likely to be  
4 replaced by the renewable fuel. No other tax credit may be  
5 claimed under this chapter for the costs incurred to produce the  
6 renewable fuels that are used to properly claim a tax credit  
7 under this section for the taxable year.

8 Each taxpayer, together with all of its related entities as  
9 determined under section 267(b) of the Internal Revenue Code and  
10 all business entities under common control, as determined under  
11 sections 414(b), 414(c), and 1563(a) of the Internal Revenue  
12 Code, shall not be eligible for more than a single [~~ten-year~~]  
13 credit period[~~-~~]; provided that for taxable years beginning  
14 after December 31, 2023, a taxpayer may be eligible to claim the  
15 credit for a single credit period notwithstanding any claim made  
16 by the taxpayer for the credit under this section for taxable  
17 years beginning before January 1, 2024."

18 2. By amending subsection (d) to read:

19 "(d) Within [~~thirty~~] sixty calendar days after the due  
20 date of the statement required under subsection (c), the Hawaii  
21 state energy office shall:



- 1 (1) Acknowledge, in writing, receipt of the statement;
- 2 (2) Issue a certificate to the taxpayer reporting the
- 3 amount of renewable fuels produced and sold, the
- 4 amount of credit that the taxpayer is entitled to
- 5 claim for the previous calendar year, and the
- 6 cumulative amount of the tax credit during the credit
- 7 period; and
- 8 (3) Provide the taxpayer with a determination of whether
- 9 the lifecycle greenhouse gas emissions for each type
- 10 of qualified renewable fuel produced is at least
- 11 seventy-five per cent lower than that of the fossil
- 12 [fuels.] fuel most likely to be replaced by the
- 13 qualified renewable fuel."

14 3. By amending subsection (f) to read:

15 "(f) The total amount of tax credits allowed under this

16 section shall not exceed [~~\$20,000,000~~] \$\_\_\_\_\_ for all

17 eligible taxpayers in any calendar year. In the event that the

18 credit claims under this section exceed [~~\$20,000,000~~]

19 \$\_\_\_\_\_ for all eligible taxpayers in any given calendar

20 year, the [~~\$20,000,000~~] \$\_\_\_\_\_ shall be divided between all

21 eligible taxpayers for that year in proportion to the total



1 amount of renewable fuels produced by all eligible taxpayers.  
 2 Upon reaching [~~\$20,000,000~~] \$ \_\_\_\_\_ in the aggregate, the  
 3 Hawaii state energy office shall immediately discontinue issuing  
 4 certificates and notify the department of taxation. In no  
 5 instance shall the total dollar amount of certificates issued  
 6 exceed [~~\$20,000,000~~] \$ \_\_\_\_\_ per calendar year."

7 4. By amending subsection (o) to read:

8 "(o) As used in this section:

9 "Credit period" means a maximum period of  
 10 [~~ten~~] \_\_\_\_\_ consecutive years, beginning from the first taxable  
 11 year in which a taxpayer begins renewable fuels production at a  
 12 level of at least two billion five-hundred million British  
 13 thermal units of renewable fuels per calendar year.

14 "Lifecycle greenhouse gas emissions" means the aggregate  
 15 attributional core lifecycle greenhouse gas emissions values  
 16 including upstream emissions, midstream emissions,  
 17 transportation emissions, and generation or operational  
 18 emissions.

19 "Locally grown" means renewable feedstock that is grown,  
 20 produced, generated, or collected in the State.



1 "Net income tax liability" means income tax liability  
2 reduced by all other credits allowed under this chapter.

3 "Renewable feedstocks" means:

- 4 (1) Biomass crops and other renewable organic material,  
5 including but not limited to logs, wood chips, wood  
6 pellets, and wood bark;
- 7 (2) Agricultural residue;
- 8 (3) Oil crops, including but not limited to algae, canola,  
9 jatropha, palm, soybean, and sunflower;
- 10 (4) Sugar and starch crops, including but not limited to  
11 sugar cane and cassava;
- 12 (5) Other agricultural crops;
- 13 (6) Grease and waste cooking oil;
- 14 (7) Food wastes;
- 15 (8) Municipal solid wastes and industrial wastes;
- 16 (9) Water, including wastewater; and
- 17 (10) Animal residues and wastes,  
18 that can be used to generate energy.

19 "Renewable fuels" means fuels produced from renewable  
20 feedstocks; provided that the fuel:

- 21 (1) Is sold as a fuel in the State; and



- 1           (2) Meets the relevant ASTM International specifications
- 2                   or other industry specifications for the particular
- 3                   fuel, including but not limited to:
- 4                   (A) Methanol, ethanol, or other alcohols;
- 5                   (B) Hydrogen;
- 6                   (C) Biodiesel or renewable diesel;
- 7                   (D) Biogas;
- 8                   (E) Other biofuels;
- 9                   (F) Renewable jet fuel or renewable gasoline; or
- 10                  (G) Logs, wood chips, wood pellets, or wood bark."

11           SECTION 3. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13           SECTION 4. This Act shall take effect on July 1, 3000, and  
14 shall apply to taxable years beginning after December 31, 2023.



**Report Title:**

Renewable Fuels Production Tax Credit; Locally Sourced, Firm  
Renewable Energy; Renewable Feedstock; Credit Period

**Description:**

Amends the Renewable Fuels Production Tax Credit by establishing an additional credit for renewable fuels, including sustainable aviation fuels, produced from renewable feedstock locally grown or recycled in the State; amending the amount of the credit that is claimable per taxpayer; amending the lifecycle greenhouse gas emissions level of a renewable fuel to be eligible for the tax credit; and making taxpayers who previously claimed the credit eligible for the credit during a certain credit period.  
Effective 7/1/3000. (HD1)

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