

STAND. COM. REP. NO. **2371**

Honolulu, Hawaii

FEB 14 2024

RE: S.B. No. 2108
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2108 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Allow a condominium association that claims a Renewable Energy Technologies Income Tax Credit under section 235-12.5, Hawaii Revised Statutes (HRS), to transfer the credit, or a portion thereof, to another individual or corporate taxpayer that is not related to the condominium association for fair and reasonable consideration; and
- (2) Provide that condominium association unit owners shall not be entitled to any apportionment or distribution of a transferred Renewable Energy Technologies Income Tax Credit when a condominium association transfers the tax credit.

Your Committee received testimony in support of this measure from two individuals.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.



Your Committee finds that the Renewable Energy Technologies Income Tax Credit (RETITC)--the State's existing income tax credit scheme for renewable energy installations (codified under section 235-12.5, HRS)--allows condominium associations to receive an income tax credit for the installation of certain solar and wind-powered energy systems. However, your Committee finds that, for many condominium associations, the tax incentives under the RETITC are not sufficient to make the installation of renewable energy systems economically viable.

Your Committee finds that one alternative to the non-refundable and refundable tax credit schemes would be to allow condominium associations to transfer their RETITC to investors who are looking to reduce their tax liabilities, thereby generating a synergistic and mutually beneficial transaction that concurrently helps the State meet its renewable energy goals. Therefore, this measure allows a condominium association that claims a credit under the RETITC to transfer the credit, or a portion thereof, to certain taxpayers.

Notwithstanding, your Committee notes the concerns raised in testimony that amendments to this measure are necessary to improve this measure's clarity and timing.

Therefore, your Committee has amended this measure by:

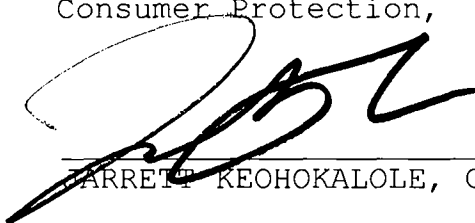
- (1) Deleting the requirement that credits be transferred "for fair and reasonable consideration" and the definition of "transferee taxpayer";
- (2) Clarifying the individuals or corporate taxpayers who shall be deemed "related" to a condominium association for the purposes of prohibiting credit transfers;
- (3) Amending the credit transfer election period to the close of the taxable year for which the eligible renewable energy technology system is installed and placed in service;
- (4) Postponing the start of the applicable taxable year period for the tax credit transfer to December 31, 2024; and



- (5) Inserting an effective date of July 1, 2040, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2108, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2108, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,

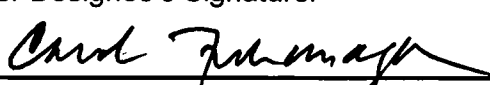


FARRET KEOHOKALOLE, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 2108	Committee Referral: CPN, WAM	Date: 2/6/24		
<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
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton				✓
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes