

JAN 24 2024

---

---

# 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  
11 required by section 269-92(a), Hawaii Revised Statutes, by 2045,  
12 an indispensable component of each electric utility company's  
13 renewable portfolio standard must include sufficient locally  
14 sourced firm, renewable energy sources to offset the  
15 intermittent nature of wind and solar-powered renewable energy.

16           The legislature further finds that, to ensure sustainable  
17 inventories of locally sourced firm, renewable energy for



1 electric utility companies' renewable portfolio standards, long-  
2 term planning that includes incentives are essential for  
3 investment and development of locally sourced firm, renewable  
4 energy production.

5 Accordingly, the purpose of this Act is to update the  
6 renewable fuels production tax credit to incentivize locally  
7 grown, produced, generated, or collected renewable fuel.

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

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

11 "(a) Each year during the credit period, there shall be  
12 allowed to each taxpayer subject to the taxes imposed by this  
13 chapter a renewable fuels production tax credit that shall be  
14 applied to the taxpayer's net income tax liability, if any,  
15 imposed by this chapter for the taxable year in which the credit  
16 is properly claimed.

17 For each taxpayer producing renewable fuels, the annual  
18 dollar amount of the renewable fuels production tax credit  
19 during the [~~ten-year~~] credit period shall [~~be~~] include an amount  
20 equal to [~~20~~] 35 cents per seventy-six thousand British thermal  
21 units of renewable fuels using the lower heating value sold for



1 distribution in the State; provided that the taxpayer's  
2 production of renewable fuels is not less than two billion five  
3 hundred million British thermal units of renewable fuels per  
4 calendar year; provided further that the amount of the tax  
5 credit claimed under this section by a taxpayer shall not exceed  
6 [\$3,500,000] seventy-five per cent of the total amount of tax  
7 credits allowed under this section per taxable year; provided  
8 further that there shall be an additional credit value of \$1.00  
9 per gallon for renewable fuels produced from renewable feedstock  
10 locally grown or recycled in the State; provided further that  
11 there shall be an additional credit of \$1.00 per gallon for  
12 renewable fuels produced with lifecycle greenhouse gas emissions  
13 at least seventy-five per cent below that of fossil fuels;  
14 provided further that the tax credit shall only be claimed for  
15 fuels with lifecycle emissions below that of fossil fuels. No  
16 other tax credit may be claimed under this chapter for the costs  
17 incurred to produce the renewable fuels that are used to  
18 properly claim a tax credit under this section for the taxable  
19 year.

20 Each taxpayer, together with all of its related entities as  
21 determined under section 267(b) of the Internal Revenue Code and



1 all business entities under common control, as determined under  
2 sections 414(b), 414(c), and 1563(a) of the Internal Revenue  
3 Code, shall not be eligible for more than a single [~~ten-year~~]  
4 credit period[-]; provided that any taxpayer who previously  
5 claimed credits under this chapter shall be reset for tax years  
6 beginning after December 31, 2023."

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

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

- 11 (1) Acknowledge, in writing, receipt of the statement;
- 12 (2) Issue a certificate to the taxpayer reporting the  
13 amount of renewable fuels produced and sold, the  
14 amount of credit that the taxpayer is entitled to  
15 claim for the previous calendar year, and the  
16 cumulative amount of the tax credit during the credit  
17 period; and
- 18 (3) Provide the taxpayer with a determination of whether  
19 the lifecycle greenhouse gas emissions for each type  
20 of qualified fuel produced is lower than that of  
21 fossil fuels[-] and whether the lifecycle greenhouse



1           gas emissions for each type of qualified fuel produced  
2           is seventy-five per cent lower than that of fossil  
3           fuels."

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

5           "(f) The total amount of tax credits allowed under this  
6 section shall not exceed [~~\$20,000,000~~] \$80,000,000 for all  
7 eligible taxpayers in any calendar year. In the event that the  
8 credit claims under this section exceed [~~\$20,000,000~~]  
9 \$80,000,000 for all eligible taxpayers in any given calendar  
10 year, the [~~\$20,000,000~~] \$80,000,000 shall be divided between all  
11 eligible taxpayers for that year in proportion to the total  
12 amount of renewable fuels produced by all eligible taxpayers.  
13 Upon reaching [~~\$20,000,000~~] \$80,000,000 in the aggregate, the  
14 Hawaii state energy office shall immediately discontinue issuing  
15 certificates and notify the department of taxation. In no  
16 instance shall the total dollar amount of certificates issued  
17 exceed [~~\$20,000,000~~] \$80,000,000 per calendar year."

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

19           "(o) As used in this section:

20           "Credit period" means a maximum period of [~~ten~~] twenty  
21 consecutive years, beginning from the first taxable year in



1 which a taxpayer begins renewable fuels production at a level of  
2 at least two billion five-hundred million British thermal units  
3 of renewable fuels per calendar year.

4 "Lifecycle greenhouse gas emissions" means the aggregate  
5 attributional core lifecycle greenhouse gas emissions values  
6 utilizing the most recent version of Argonne National  
7 Laboratory's Greenhouse gasses, Regulated Emissions, and Energy  
8 use in Technologies (GREET) Model, inclusive of agricultural  
9 practices and carbon capture sequestration.

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

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

14 "Renewable feedstocks" means:

- 15 (1) Biomass crops and other renewable organic material,  
16 including but not limited to logs, wood chips, wood  
17 pellets, and wood bark;
- 18 (2) Agricultural residue;
- 19 (3) Oil crops, including but not limited to algae, canola,  
20 jatropha, palm, soybean, and sunflower;



- 1 (4) Sugar and starch crops, including but not limited to
- 2 sugar cane and cassava;
- 3 (5) Other agricultural crops;
- 4 (6) Grease and waste cooking oil;
- 5 (7) Food wastes;
- 6 (8) Municipal solid wastes and industrial wastes;
- 7 (9) Water, including wastewater; and
- 8 (10) Animal residues and wastes,
- 9 that can be used to generate energy.

10 "Renewable fuels" means fuels produced from renewable  
11 feedstocks; provided that the fuel:

- 12 (1) Is sold as a fuel in the State; and
- 13 (2) Meets the relevant ASTM International specifications
- 14 or other industry specifications for the particular
- 15 fuel, including but not limited to:
  - 16 (A) Methanol, ethanol, or other alcohols;
  - 17 (B) Hydrogen;
  - 18 (C) Biodiesel or renewable diesel;
  - 19 (D) Biogas;
  - 20 (E) Other biofuels;
  - 21 (F) Renewable jet fuel or renewable gasoline; or



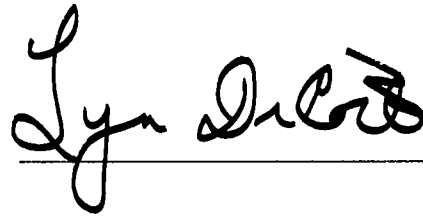
1 (G) Logs, wood chips, wood pellets, or wood bark."

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

4 SECTION 4. This Act shall take effect upon its approval  
5 and shall apply to taxable years beginning after December 31,  
6 2023.

7

INTRODUCED BY:



A handwritten signature in black ink, appearing to read "Lyn DeLoe", is written over a horizontal line.





# S.B. NO. 3360

**Report Title:**

Renewable Fuels Production Tax Credit; Locally Sourced Renewable Feedstock; Credit Period; Total Credits

**Description:**

Updates the Renewable Fuels Production Tax Credit to incentivize locally grown, produced, generated, or collected renewable fuel. Extends the credit period from ten to twenty consecutive years. Increases the total amount of tax credits allowed to \$80,000,000 in any calendar year.

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

