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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 Hawaii is at a  
2 critical crossroad in the State's ongoing quest to reduce  
3 greenhouse gas emissions. In 2021, Hawaii became the first  
4 state in the nation to declare a climate emergency and is now  
5 poised to lead by example in mitigating the impacts of climate  
6 change through adaptive and preemptive actions to transition  
7 toward a multi-sector decarbonized economy. This is aligned  
8 with the ambitious Hawaii clean energy initiative, which seeks  
9 to achieve the nation's first-ever one hundred per cent  
10 renewable portfolio standards by the year 2045. The legislature  
11 acknowledged the necessity to analyze pathways and develop  
12 recommendations to achieve economy-wide decarbonization goals by  
13 adopting Act 238, Sessions Laws of Hawaii 2022.

14       The legislature additionally finds that the State has made  
15 progress in reducing greenhouse gas pathways by adopting  
16 alternatives to fossil fuel for electrical power generation and  
17 introducing alternatives for ground transportation, including



1 the use of electric vehicles. Additionally, sustainable  
2 aviation fuel for air transportation is another pathway that  
3 deserves more robust exploration. Hawaii has the opportunity to  
4 accelerate its progress toward achieving net-zero or net-  
5 negative targets as quickly as practicable, but no later than  
6 2045. As an island state heavily reliant on air transportation,  
7 it is important to provide incentives within the airline  
8 industry to encourage practices that lower carbon footprints.

9 The legislature acknowledges that total jet fuel  
10 consumption in Hawaii is seventeen million barrels (seven  
11 hundred fourteen million gallons) per year between civilian and  
12 military consumption. To provide greater energy security for  
13 the State, the legislature finds that instead of investing in  
14 imported crude oil or refined petroleum products and  
15 perpetuating the State's dependence on fossil fuels, local  
16 sustainable fuel production will allow investment in the local  
17 economy and support job creation.

18 The legislature further acknowledges that while sustainable  
19 aviation fuel offers multiple benefits, the cost of its  
20 production is several times that of conventional fuels. Thus,  
21 creating a regulatory framework to support local sustainable



1 aviation fuel production is critical. As with other states,  
2 Hawaii must look at policies that will work in tandem with  
3 federal policies to make sustainable aviation fuel production  
4 sustainable within the State.

5 Accordingly, the purpose of this Act is to advance Hawaii's  
6 commitment to reducing greenhouse gas emissions by:

7 (1) Establishing the sustainable aviation fuel import tax  
8 credit;

9 (2) Increasing the renewable fuels production tax credit  
10 amount;

11 (3) Repealing the:

12 (A) Cap amount of claimable renewable fuels  
13 production tax credit;

14 (B) Requirement that the tax credit be claimed for  
15 fuels with lifecycle emissions below fossil  
16 fuels; and

17 (C) Prohibition on claiming other tax credits for the  
18 cost incurred to produce renewable fuels;

19 (4) Specifying that the renewable fuels production tax  
20 credit can only be claimed for fuels that meet the  
21 certain thresholds;



- (5) Adding an additional renewable fuels production tax credit value;
- (6) Clarifying that a taxpayer who previously claimed a renewable fuels production tax credit may claim another one for taxable years beginning after December 31, 2024;
- (7) Clarifying and expanding required information in the certified statement for the renewable fuels production tax credit; and
- (8) Repealing the requirement that the Hawaii state energy office provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels.

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

**"§235- Sustainable aviation fuel import tax credit.**

(a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter a sustainable aviation fuel income tax credit that shall be deducted from the taxpayer's net income



1 tax liability, if any, imposed by this chapter for the taxable  
2 year in which the credit is properly claimed.

3 For each taxpayer importing sustainable aviation fuel into  
4 the State, the amount of the credit shall be \$1 per gallon of  
5 sustainable aviation fuel sold for distribution in the State;  
6 provided that the tax credit shall only be claimed for  
7 sustainable aviation fuel that meets the lifecycle greenhouse  
8 gas emissions reduction threshold.

9 (b) In the case of a partnership, S corporation, estate,  
10 or trust, distribution and share of the renewable fuels  
11 production tax credit shall be determined pursuant to section  
12 704(b) (with respect to a partner's distributive share) of the  
13 Internal Revenue Code of 1986, as amended. For a fiscal year  
14 taxpayer, the taxpayer shall report the credit in the taxable  
15 year in which the calendar year end is included.

16 (c) No later than thirty days following the close of the  
17 calendar year, every taxpayer claiming a credit under this  
18 section shall complete and file an independent, third-party  
19 certified statement, at the taxpayer's sole expense, with and in  
20 the form prescribed by the Hawaii state energy office, providing  
21 the following information:



- 1        (1) The type and quantity of sustainable aviation fuel  
2        imported and sold during the previous calendar year;
- 3        (2) The feedstock used to produce the imported sustainable  
4        aviation fuel;
- 5        (3) The proposed total amount of credit to which the  
6        taxpayer is entitled for each calendar year and the  
7        cumulative amount of the tax credit the taxpayer  
8        received the previous calendar year;
- 9        (4) The number of full-time and part-time employees of the  
10       facility and those employees' states of residency,  
11       totaled per state;
- 12       (5) The number and location of all renewable fuel  
13       facilities within and outside the State;
- 14       (6) The lifecycle greenhouse gas emissions in kilograms of  
15       carbon dioxide equivalent per million British thermal  
16       units for each type of qualified fuel imported; and
- 17       (7) The lifecycle greenhouse gas emissions reported to the  
18       United States Department of the Treasury if different  
19       than the emissions reported under paragraph (6).



1        (d) Within thirty calendar days after the due date of the  
2 statement required under subsection (c), the Hawaii state energy  
3 office shall:

4        (1) Acknowledge, in writing, receipt of the statement; and

5        (2) Issue a certificate to the taxpayer reporting the:

6            (A) Amount of sustainable aviation fuel imported and  
7            sold;

8            (B) Amount of credit that the taxpayer is entitled to  
9            claim for the previous calendar year, inclusive  
10           of any carryover amount;

11           (C) Amount of credit that the taxpayer is entitled to  
12           claim for any subsequent calendar year; and

13           (D) Cumulative amount of the tax credit during the  
14           previous calendar year.

15        (e) The taxpayer shall file the certificate issued under  
16 subsection (d) (2) with the taxpayer's tax return with the  
17 department of taxation. The director of taxation may audit and  
18 adjust the certification to conform to the facts.

19        (f) The total amount of tax credits allowed under this  
20 section for all eligible taxpayers shall not exceed:

21        (1) \$5,000,000 for calendar year 2025;



1        (2) \$10,000,000 for calendar year 2026;

2        (3) \$20,000,000 for calendar year 2027;

3        (4) \$30,000,000 for calendar year 2028; and

4        (5) \$50,000,000 for calendar years 2029 to 2036.

5        In the event that the credit claims under this section exceed  
6        the total credits allowed for all eligible taxpayers in any  
7        given calendar year, the total credits allowed shall be  
8        allocated proportionally to each eligible taxpayer in proportion  
9        to the amount of such taxpayer's credits under this section for  
10       the calendar year.

11       To the extent that the limitations of this subsection  
12       reduce the amount of a taxpayer's credit, the amount of the  
13       reduction shall be available to the taxpayer to be used as a  
14       credit in the next subsequent calendar year but shall not be  
15       carried over for any calendar year thereafter; provided that the  
16       carryover credit shall subject to the limitations of this  
17       subsection.

18       (g) Notwithstanding any other law to the contrary, the  
19       information collected and compiled by the Hawaii state energy  
20       office under subsections (c) and (d) shall be available for  
21       public inspection and dissemination pursuant to chapter 92F.





1        (h) If the credit under this section exceeds the  
2 taxpayer's net income tax liability, the excess of the credit  
3 over liability may be used as a credit against the taxpayer's  
4 net income tax liability in subsequent years until exhausted,  
5 unless otherwise elected by the taxpayer pursuant to subsection  
6 (i) or (j). All claims for a credit under this section shall be  
7 properly filed on or before the end of the twelfth month  
8 following the close of the taxable year for which the credit may  
9 be claimed. Failure to comply with the foregoing provision or  
10 to provide the certified statement required under subsection (c)  
11 shall constitute a waiver of the right to claim the credit.

12        (i) A taxpayer may elect to reduce the eligible credit  
13 amount by thirty per cent and if this reduced amount exceeds the  
14 amount of income tax payment due from the taxpayer, the excess  
15 of the credit amount over payments due shall be refunded to the  
16 taxpayer; provided that tax credit amounts properly claimed by a  
17 taxpayer who has no income tax liability shall be paid to the  
18 taxpayer; provided further that no refund on account of the tax  
19 credit allowed by this section shall be made for amounts less  
20 than \$1.



1        (j) Notwithstanding subsection (i), an individual taxpayer  
2        may elect to have any excess of the credit over payments due  
3        refunded to the taxpayer, if:

4        (1) All of the taxpayer's income is exempt from taxation  
5        under section 235-7(a) (2) or (3); or

6        (2) The taxpayer's adjusted gross income is \$20,000 or  
7        less or, if filing a tax return as married filing  
8        jointly, \$40,000 or less;

9        provided that tax credits properly claimed by a taxpayer who has  
10       no income tax liability shall be paid to the taxpayer; provided  
11       further that no refund on account of the tax credit allowed by  
12       this section shall be made for amounts less than \$1.

13       A married couple who does not file a joint tax return shall  
14       only be entitled to make this election to the extent that they  
15       would have been entitled to make the election had they filed a  
16       joint tax return.

17       The election required by this subsection shall be made in a  
18       manner prescribed by the director of taxation on the taxpayer's  
19       return for the taxable year in which the credit is claimed. An  
20       election once made is irrevocable.



1       No more than one taxpayer shall be allowed to claim a tax  
2       credit for the same purchase of eligible sustainable aviation  
3       fuel.

4       (k) Before the importation of any sustainable aviation  
5       fuel for the calendar year, the taxpayer shall provide written  
6       notice of the taxpayer's intention to begin importation of  
7       sustainable aviation fuel to the department of taxation and the  
8       Hawaii state energy office. The written notice shall include  
9       information on the taxpayer, facility location, facility  
10       capacity, anticipated importation start date, and the taxpayer's  
11       contact information. Notwithstanding any other law to the  
12       contrary, the written notice under this subsection, including  
13       taxpayer and facility information, shall be made available for  
14       public inspection and dissemination pursuant to chapter 92F.

15       (l) The taxpayer shall provide written notice to the  
16       director of taxation and the chief energy officer of the Hawaii  
17       state energy office within thirty days following the start of  
18       importation. The notice shall include the importation start  
19       date and expected sustainable aviation fuel importation for the  
20       next twelve months. Notwithstanding any other law to the  
21       contrary, the written notice described in this subsection shall



1 be made available for public inspection and dissemination  
2 pursuant to chapter 92F.

3 (m) Following each calendar year in which a credit under  
4 this section has been claimed, the chief energy officer of the  
5 Hawaii state energy office shall submit a written report to the  
6 governor and legislature regarding the importation and sale of  
7 sustainable aviation fuel. The report shall include:

8 (1) The number and location of sustainable fuel facilities  
9 in the State and outside the State that have claimed a  
10 credit under this section;

11 (2) The total number gallons of sustainable aviation fuel  
12 imported and sold during the previous calendar year;  
13 and

14 (3) The projected number of gallons of sustainable  
15 aviation fuel imported for the succeeding year.

16 (n) The director of taxation:

17 (1) Shall prepare any forms that may be necessary to claim  
18 a tax credit under this section;

19 (2) May require the taxpayer to furnish reasonable  
20 information to ascertain the validity of the claim for  
21 the tax credit made under this section; and



1       (3) May adopt rules pursuant to chapter 91 necessary to  
2       effectuate the purposes of this section.

3       (o) As used in this section:

4       "Lifecycle greenhouse gas emissions" has the same meaning  
5       as in section 235-110.32.

6       "Sustainable aviation fuel" has the same meaning as in  
7       section 235-110.32."

8       SECTION 3. 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 equal to ~~[20]~~ 35  
20       cents per seventy-six thousand British thermal units of



1 renewable fuels using the lower heating value sold for  
2 distribution in the State; provided that ~~[the]~~:

3 (1) The taxpayer's production of renewable fuels is not  
4 less than two billion five hundred million British  
5 thermal units of renewable fuels per calendar year;  
6 ~~[provided further that the amount of the tax credit~~  
7 ~~claimed under this section by a taxpayer shall not~~  
8 ~~exceed \$3,500,000 per taxable year; provided further~~  
9 ~~that the tax credit shall only be claimed for fuels~~  
10 ~~with lifecycle emissions below that of fossil fuels.~~  
11 ~~No other tax credit may be claimed under this chapter~~  
12 ~~for the costs incurred to produce the renewable fuels~~  
13 ~~that are used to properly claim a tax credit under~~  
14 ~~this section for the taxable year.]~~

15 (2) The tax credit shall only be claimed for fuels that  
16 meet the lifecycle greenhouse gas emissions reduction  
17 threshold and product transportation emissions  
18 threshold;

19 (3) There shall be an additional credit value of \$1 per  
20 diesel gallon equivalent for low lifecycle emissions  
21 renewable fuels; and



1       (4) There shall be an additional credit value equal to \$1  
2             per gallon if the renewable fuel is sustainable  
3             aviation fuel.

4       Each taxpayer, together with all of its related entities as  
5       determined under section 267(b) of the Internal Revenue Code and  
6       all business entities under common control, as determined under  
7       sections 414(b), 414(c), and 1563(a) of the Internal Revenue  
8       Code, shall not be eligible for more than a single [~~ten-year~~]  
9       credit period~~[-]~~; provided that taxpayers who previously claimed  
10      a tax credit under this section before the effective date of  
11      this Act may claim another tax credit for taxable years  
12      beginning after December 31, 2024."

13       2. By amending subsections (c) and (d) to read:

14       "(c) No later than thirty days following the close of the  
15      calendar year, every taxpayer claiming a credit under this  
16      section shall complete and file an independent, third-party  
17      certified statement, at the taxpayer's sole expense, with and in  
18      the form prescribed by the Hawaii state energy office, providing  
19      the following information:

20       (1) The type, quantity, and British thermal unit value,  
21       using the lower heating value, of each qualified fuel,



- 1 broken down by the type of fuel, produced and sold  
2 during the previous calendar year;
- 3 (2) The feedstock used for each type of qualified fuel;
- 4 (3) The proposed total amount of credit to which the  
5 taxpayer is entitled for each calendar year and the  
6 cumulative amount of the tax credit the taxpayer  
7 received during the credit period;
- 8 (4) The number of full-time and ~~[number of]~~ part-time  
9 employees of the facility and those employees' states  
10 of residency, totaled per state;
- 11 (5) The number and location of all renewable fuel  
12 production facilities within and outside of the State;  
13 ~~[and]~~
- 14 (6) The lifecycle greenhouse gas emissions ~~[per]~~ in  
15 kilograms of carbon dioxide equivalent per million  
16 British thermal units for each type of qualified fuel  
17 produced[-]; and
- 18 (7) The lifecycle greenhouse gas emissions reported to the  
19 United States Department of the Treasury, if different  
20 than the emissions reported pursuant to paragraph (6).





(d) Within thirty calendar days after the due date of the statement required under subsection (c), the Hawaii state energy office shall:

(1) Acknowledge, in writing, receipt of the statement; and

(2) Issue a certificate to the taxpayer reporting the amount of renewable fuels produced and sold, the amount of credit that the taxpayer is entitled to claim for the previous calendar year, and the cumulative amount of the tax credit during the credit period[~~;~~ and

~~(3) Provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels]."~~

3. By amending subsection (f) to read:

"(f) The total amount of tax credits allowed under this section for all eligible taxpayers in any calendar year shall not exceed [~~\$20,000,000 for all eligible taxpayers in any calendar year.~~]:

(1) \$40,000,000 for calendar year 2025;

(2) \$50,000,000 for calendar year 2026;



1        (3) \$60,000,000 for calendar year 2027;

2        (4) \$70,000,000 for calendar year 2028; and

3        (5) \$80,000,000 for calendar year 2029 and thereafter.

4        In the event that the credit claims under this section exceed

5        ~~[\$20,000,000]~~ the total amount allowed for all eligible

6        taxpayers in any given calendar year, the ~~[\$20,000,000]~~ total

7        amount allowed shall be ~~[divided between all]~~ allocated

8        proportionally to eligible taxpayers ~~[for that year]~~ in

9        proportion to the total amount of renewable fuels ~~[produced by~~

10       ~~all eligible taxpayers. Upon reaching \$20,000,000 in the~~

11       ~~aggregate, the Hawaii state energy office shall immediately~~

12       ~~discontinue issuing certificates and notify the department of~~

13       ~~taxation. In no instance shall the total dollar amount of~~

14       ~~certificates issued exceed \$20,000,000 per calendar year.]~~

15       production tax credits under this section for the calendar year.

16       No taxpayer shall be eligible for more than seventy-five per

17       cent of the total amount allowed in any year. To the extent

18       that the limitations of this subsection reduce the amount of a

19       taxpayer's credit, the amount of the reduction shall be

20       available to the taxpayer to be used as a credit in the

21       subsequent calendar year; provided that the credit shall not be



1 carried over for any calendar year thereafter; provided further  
2 that the carryover credit shall be subject to the limitations of  
3 this subsection."

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

5 "(o) As used in this section:

6 "Credit period" means a maximum period of ten consecutive  
7 years, beginning from the first taxable year in which a taxpayer  
8 begins renewable fuels production at a level of at least two  
9 billion five-hundred million British thermal units of renewable  
10 fuels per calendar year.

11 "Feedstock transportation emissions threshold" means the  
12 carbon intensity contribution associated with the oceangoing  
13 transportation of the feedstock from the feedstock producer to  
14 the renewable fuel producer is less than        grams per  
15 megajoule as determined by the lifecycle greenhouse gas  
16 emissions analysis.

17 "Lifecycle greenhouse gas emissions" means the aggregate  
18 attributational core lifecycle greenhouse gas emissions values  
19 utilizing one of the following:

20 (1) The most recent version of the United States

21 Department of Energy's Argonne National Laboratory's



greenhouse gases, regulated emissions, and energy use  
in technologies model, including agricultural  
practices and carbon capture and sequestration.

(2) Carbon offsetting and reduction scheme for  
international aviation; or

(3) Another lifecycle methodology approved by the Hawaii  
state energy office.

"Lifecycle greenhouse gas emissions reduction threshold"  
means a reduction in lifecycle greenhouse gas emissions of fifty  
per cent compared to the fossil fuel for which the renewable  
fuel is most likely to replace.

"Low lifecycle emissions renewable fuels" means renewable  
fuel that meets the lifecycle greenhouse gas emissions reduction  
threshold, product transportation emissions threshold, and  
feedstock transportation emissions threshold.

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

"Product transportation emissions threshold" means the  
carbon intensity contribution associated with the oceangoing  
transportation of the finished fuel from the renewable fuel  
producer to the final distribution storage facility is less



1 than grams per megajoule as determined by the lifecycle  
2 greenhouse gas emissions analysis.

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,  
9 camelina, canola, jatropha, palm, soybean, and  
10 sunflower;

11 (4) Sugar and starch crops, including but not limited to  
12 sugar cane and cassava;

13 (5) Other agricultural crops;

14 (6) Grease, fats, tallows, and waste cooking oil;

15 (7) Food wastes;

16 (8) Municipal solid wastes [~~and~~], industrial wastes[~~+~~],  
17 and construction and demolition wastes;

18 (9) Water, including wastewater; [~~and~~]

19 (10) Bio-intermediate ethanol produced from renewable  
20 feedstock; and

21 [~~(10)~~] (11) Animal residues and wastes,



1 that can be used to generate energy.

2 "Renewable fuels" means fuels produced from renewable  
3 feedstocks; provided that the fuel:

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

5 (2) Meets the relevant ASTM International specifications  
6 or other industry specifications for the particular  
7 fuel, including but not limited to:

8 (A) Methanol, ethanol, or other alcohols;

9 (B) Hydrogen;

10 (C) Biodiesel or renewable diesel;

11 (D) Biogas;

12 (E) Other biofuels;

13 (F) Renewable [~~jet fuel or renewable~~] gasoline[+] or  
14 renewable naphtha;

15 (G) Renewable propane or renewable liquid petroleum  
16 gases;

17 (H) Sustainable aviation fuel; or

18 [-(G)] (I) Logs, wood chips, wood pellets, or wood  
19 bark.

20 "Sustainable aviation fuel" means liquid fuel that:



- 1        (1) Consists of synthesized hydrocarbons and meets the  
2                requirements of the American Society for Testing and  
3                Materials International Standard D7566 or D1655; and  
4        (2) Is derived from biomass resources, waste streams,  
5                renewable or zero carbon energy sources, or gaseous  
6                carbon oxides."

7        SECTION 4. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9        SECTION 5. This Act, upon its approval, shall apply to  
10 taxable years beginning after December 31, 2024; provided that  
11 section 2 shall be repealed on January 1, 2036.

12  
INTRODUCED BY:

*Nicole E. Loefer*

JAN 21 2025



# H.B. NO. 97C

**Report Title:**

Sustainable Aviation Fuel Import Tax Credit; Renewable Fuels  
Production Tax Credit

**Description:**

Establishes the sustainable aviation fuel import tax credit. Increases the renewable fuels production tax credit amount. Repeals the: (1) cap amount of claimable renewable fuels production tax credit; (2) requirement that the tax credit be claimed for fuels with lifecycle emissions below fossil fuels; and (3) prohibition on claiming other tax credits for the cost incurred to produce renewable fuels. Specifies that the renewable fuels production tax credit can only be claimed for fuels that meet the certain thresholds. Adds an additional tax credit value. Clarifies that a taxpayer who previously claimed a renewable fuels production tax credit may claim another one for taxable years beginning after 12/31/2024. Clarifies and expands required information in the certified statement for the tax credit. Repeals the requirement that the Hawaii State Energy Office provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels.

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