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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 encouraging 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 a temporary sustainable aviation fuel  
8 import income tax credit; and

9 (2) Amending the renewable fuels production tax credit by:

10 (A) Increasing the tax credit rate;

11 (B) Repealing the cap on claimable credits per  
12 taxpayer per taxable year and increasing the cap  
13 on total claimable credits for all eligible  
14 taxpayers per calendar year;

15 (C) Specifying that the credit may be claimed for  
16 fuels with lifecycle greenhouse gas emissions and  
17 product transportation emissions below certain  
18 thresholds;

19 (D) Adding credit values for low lifecycle emissions  
20 renewable fuels and sustainable aviation fuels  
21 produced;



1 (E) Allowing a taxpayer who previously claimed a  
2 credit to claim another one for taxable years  
3 beginning after December 31, 2024;

4 (F) Amending the credit period to be for a maximum  
5 period of ten consecutive years, beginning from  
6 the effective date of this Act; and

7 (G) Amending the required information in the  
8 certified statement for the credit.

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

12 **"§235- Sustainable aviation fuel import tax credit.**

13 (a) There shall be allowed to each taxpayer subject to the  
14 taxes imposed by this chapter a sustainable aviation fuel import  
15 income tax credit that shall be deducted from the taxpayer's net  
16 income tax liability, if any, imposed by this chapter for the  
17 taxable year in which the credit is properly claimed.

18 For each taxpayer importing sustainable aviation fuel into  
19 the State, the amount of the credit shall be \$1 per gallon of  
20 sustainable aviation fuel sold for distribution in the State;  
21 provided that the tax credit shall only be claimed for



1 sustainable aviation fuel that meets the lifecycle greenhouse  
2 gas emissions reduction threshold.

3 (b) In the case of a partnership, S corporation, estate,  
4 or trust, distribution and share of the renewable fuels  
5 production tax credit shall be determined pursuant to section  
6 704(b) (with respect to a partner's distributive share) of the  
7 Internal Revenue Code of 1986, as amended. For a fiscal year  
8 taxpayer, the taxpayer shall report the credit in the taxable  
9 year in which the calendar year end is included.

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

- 16 (1) The type and quantity of sustainable aviation fuel  
17 imported and sold during the previous calendar year;  
18 (2) The feedstock used to produce the imported sustainable  
19 aviation fuel;  
20 (3) The proposed total amount of credit to which the  
21 taxpayer is entitled for each calendar year and the



- 1           cumulative amount of the tax credit the taxpayer  
2           received the previous calendar year;
- 3           (4)   The number and location of all renewable fuel  
4           facilities within and outside the State;
- 5           (5)   The number of full-time and part-time employees of  
6           each renewable fuel facility within and outside the  
7           State and those employees' states of residency,  
8           totaled per state;
- 9           (6)   The lifecycle greenhouse gas emissions in kilograms of  
10          carbon dioxide equivalent per million British thermal  
11          units for each type of qualified fuel imported; and
- 12          (7)   The lifecycle greenhouse gas emissions reported to the  
13          United States Department of the Treasury if different  
14          than the emissions reported under paragraph (6).
- 15          (d)   Within thirty calendar days after the due date of the  
16          statement required under subsection (c), the Hawaii state energy  
17          office shall:
- 18               (1)   Acknowledge, in writing, receipt of the statement; and  
19               (2)   Issue a certificate to the taxpayer reporting the:
- 20                    (A)   Amount of sustainable aviation fuel imported and  
21                       sold;



1           (B) Amount of credit that the taxpayer is entitled to  
2           claim for the previous calendar year, inclusive  
3           of any carryover amount;

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

6           (D) Cumulative amount of the tax credit during the  
7           previous calendar year.

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

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

14          (1) \$ for calendar year 2025;

15          (2) \$ for calendar year 2026;

16          (3) \$ for calendar year 2027;

17          (4) \$ for calendar year 2028; and

18          (5) \$ for calendar years 2029 to 2036.

19          In the event that the credits claimed under this section exceed  
20          the total credits allowed for all eligible taxpayers in any  
21          given calendar year, the total credits allowed shall be



1 allocated to each eligible taxpayer in proportion to the amount  
2 of each taxpayer's credits under this section for the calendar  
3 year.

4 To the extent that the limitations of this subsection  
5 reduce the amount of a taxpayer's credit, the amount of the  
6 reduction shall be available to the taxpayer to be used as a  
7 credit in the next subsequent calendar year but shall not be  
8 carried over for any calendar year thereafter; provided that the  
9 carryover credit shall be subject to the limitations of this  
10 subsection.

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

15 (h) If the credit under this section exceeds the  
16 taxpayer's net income tax liability, the excess of the credit  
17 over liability may be used as a credit against the taxpayer's  
18 net income tax liability in subsequent years until exhausted,  
19 unless otherwise elected by the taxpayer pursuant to subsection  
20 (i) or (j). All claims for a credit under this section shall be  
21 properly filed on or before the end of the twelfth month





1 following the close of the taxable year for which the credit may  
2 be claimed. Failure to comply with the foregoing provision or  
3 to provide the certified statement required under subsection (c)  
4 shall constitute a waiver of the right to claim the credit.

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

14 (j) Before the importation of any sustainable aviation  
15 fuel for the calendar year, the taxpayer shall provide written  
16 notice of the taxpayer's intention to begin importation of  
17 sustainable aviation fuel to the department of taxation and the  
18 Hawaii state energy office. The written notice shall include  
19 information on the taxpayer, facility location, facility  
20 capacity, anticipated importation start date, and the taxpayer's  
21 contact information. Notwithstanding any other law to the



1 contrary, the written notice under this subsection, including  
2 taxpayer and facility information, shall be made available for  
3 public inspection and dissemination pursuant to chapter 92F.

4 (k) The taxpayer shall provide written notice to the  
5 director of taxation and the chief energy officer of the Hawaii  
6 state energy office within thirty days following the start of  
7 importation. The notice shall include the importation start  
8 date and expected amount of sustainable aviation fuel to be  
9 imported for the next twelve months. Notwithstanding any other  
10 law to the contrary, the written notice described in this  
11 subsection shall be made available for public inspection and  
12 dissemination pursuant to chapter 92F.

13 (l) Following each calendar year in which a credit under  
14 this section has been claimed, the chief energy officer of the  
15 Hawaii state energy office shall submit a written report to the  
16 governor and legislature regarding the importation and sale of  
17 sustainable aviation fuel. The report shall include:

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



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

(3) The projected number of gallons of sustainable aviation fuel that will be imported for the succeeding year.

(m) The director of taxation:

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

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

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

(n) As used in this section:

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

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

SECTION 3. Section 235-110.32, Hawaii Revised Statutes, is amended as follows:



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

2           "(a) Each year during the credit period, there shall be  
3 allowed to each taxpayer subject to the taxes imposed by this  
4 chapter a renewable fuels production tax credit that shall be  
5 applied to the taxpayer's net income tax liability, if any,  
6 imposed by this chapter for the taxable year in which the credit  
7 is properly claimed.

8           For each taxpayer producing renewable fuels, the annual  
9 dollar amount of the renewable fuels production tax credit  
10 during the ten-year credit period shall be equal to [20] 35  
11 cents per seventy-six thousand British thermal units of  
12 renewable fuels using the lower heating value sold for  
13 distribution in the State; provided that [the]:

14           (1) The taxpayer's production of renewable fuels is not  
15 less than two billion five hundred million British  
16 thermal units of renewable fuels per calendar year;  
17 provided [~~further that the amount of the tax credit~~  
18 ~~claimed under this section by a taxpayer shall not~~  
19 ~~exceed \$3,500,000 per taxable year; provided further~~  
20 ~~that the tax credit shall only be claimed for fuels~~  
21 ~~with lifecycle emissions below that of fossil fuels.~~



1 ~~No]~~ that no other tax credit may be claimed under this  
2 chapter for the costs incurred to produce the  
3 renewable fuels that are used to properly claim a tax  
4 credit under this section for the taxable year~~[-]~~;

5 (2) The tax credit shall only be claimed for fuels that  
6 meet the lifecycle greenhouse gas emissions reduction  
7 threshold and product transportation emissions  
8 threshold;

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

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

15 Each taxpayer, together with all of its related entities as  
16 determined under section 267(b) of the Internal Revenue Code and  
17 all business entities under common control, as determined under  
18 sections 414(b), 414(c), and 1563(a) of the Internal Revenue  
19 Code, shall not be eligible for more than a single ~~[ten-year]~~  
20 credit period~~[-]~~; provided that taxpayers who previously claimed  
21 a tax credit under this section before the effective date of



1 this Act may claim another tax credit for taxable years  
2 beginning after December 31, 2024."

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

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

10 (1) The type, quantity, and British thermal unit value,  
11 using the lower heating value, of each qualified fuel,  
12 broken down by the type of fuel, produced and sold  
13 during the previous calendar year;

14 (2) The feedstock used for each type of qualified fuel;

15 (3) The proposed total amount of credit to which the  
16 taxpayer is entitled for each calendar year and the  
17 cumulative amount of the tax credit the taxpayer  
18 received during the credit period;

19 (4) The number of full-time and ~~[number of]~~ part-time  
20 employees of the facility and those employees' states  
21 of residency, totaled per state;



(5) The number and location of all renewable fuel production facilities within and outside of the State; ~~[and]~~

(6) The lifecycle greenhouse gas emissions ~~[per]~~ in kilograms of carbon dioxide equivalent per million British thermal units for each type of qualified fuel produced~~[,]~~; and

(7) The lifecycle greenhouse gas emissions reported to the United States Department of the Treasury, if different 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) \$ \_\_\_\_\_ for calendar year 2025;

(2) \$ \_\_\_\_\_ for calendar year 2026;

(3) \$ \_\_\_\_\_ for calendar year 2027;

(4) \$ \_\_\_\_\_ for calendar year 2028; and

(5) \$ \_\_\_\_\_ for calendar year 2029 and thereafter.

In the event that the credit claims under this section exceed ~~[\$20,000,000]~~ the total amount allowed for all eligible taxpayers in any given calendar year, the ~~[\$20,000,000]~~ total amount allowed shall be ~~[divided between all]~~ allocated to eligible taxpayers ~~[for that year]~~ in proportion to the total amount of renewable fuels ~~[produced by all eligible taxpayers.~~  
~~Upon reaching \$20,000,000 in the aggregate, the Hawaii state~~





~~energy office shall immediately discontinue issuing certificates~~  
~~and notify the department of taxation. In no instance shall the~~  
~~total dollar amount of certificates issued exceed \$20,000,000~~  
~~per calendar year.]~~ production tax credits under this section  
for the calendar year. No taxpayer shall be eligible for more  
than seventy-five per cent of the total amount allowed in any  
year. The total aggregate amount of additional credit value for  
sustainable aviation fuel under subsection (a)(4) shall not  
exceed fifty per cent of the total aggregate amount of renewable  
fuels production tax credits allowed in any year. To the extent  
that the limitations of this subsection reduce the amount of a  
taxpayer's credit, the amount of the reduction shall be  
available to the taxpayer to be used as a credit in the  
subsequent calendar year; provided that the credit shall not be  
carried over for any calendar year thereafter; provided further  
that the carryover credit shall be subject to the limitations of  
this subsection."

4. By amending subsection (o) to read:

"(o) As used in this section:

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



~~taxpayer begins renewable fuels production at a level of at~~  
~~least two billion five hundred million British thermal units of~~  
~~renewable fuels per calendar year.]~~ the effective date of this  
Act.

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

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

- (1) The most recent version of the United States  
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; or
- (2) Another lifecycle methodology approved by the Hawaii  
state energy office.



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

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

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

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

17      "Renewable feedstocks" means:

- 18      (1) Biomass crops and other renewable organic material,  
19           including but not limited to logs, wood chips, wood  
20           pellets, and wood bark;  
21      (2) Agricultural residue;



- 1 (3) Oil crops, including but not limited to algae,  
2 camelina, canola, jatropha, palm, soybean, and  
3 sunflower;
- 4 (4) Sugar and starch crops, including but not limited to  
5 sugar cane and cassava;
- 6 (5) Other agricultural crops;
- 7 (6) Grease, fats, tallow, and waste cooking oil;
- 8 (7) Food wastes;
- 9 (8) Municipal solid wastes [~~and~~], industrial wastes [~~+~~],  
10 and construction and demolition wastes;
- 11 (9) Water, including wastewater; [~~and~~]
- 12 (10) Bio-intermediate ethanol produced from renewable  
13 feedstock; and
- 14 [~~(10)~~] (11) Animal residues and wastes,  
15 that can be used to generate energy.
- 16 "Renewable fuels" means fuels produced from renewable  
17 feedstocks; provided that the fuel:
- 18 (1) Is sold as a fuel in the State; and
- 19 (2) Meets the relevant ASTM International specifications  
20 or other industry specifications for the particular  
21 fuel, including but not limited to:



- 1 (A) Methanol, ethanol, or other alcohols;  
2 (B) Hydrogen;  
3 (C) Biodiesel or renewable diesel;  
4 (D) Biogas;  
5 (E) Other biofuels;  
6 (F) Renewable [~~jet fuel or renewable~~] gasoline[~~+~~] or  
7 renewable naphtha;  
8 (G) Renewable propane or renewable liquid petroleum  
9 gases;  
10 (H) Sustainable aviation fuel; or  
11 [~~(G)~~] (I) Logs, wood chips, wood pellets, or wood  
12 bark.

13 "Sustainable aviation fuel" means liquid fuel that:

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

20 SECTION 4. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.



1       SECTION 5. This Act shall take effect on July 1, 3000, and  
2 shall apply to taxable years beginning after December 31, 2024;  
3 provided that section 2 shall be repealed on January 1, 2036.



**Report Title:**

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

**Description:**

Establishes a sustainable aviation fuel import income tax credit until 1/1/2036. Amends the renewable fuels production tax credit by: increasing the tax credit rate; repealing the cap on claimable credits per taxpayer per taxable year and increasing the cap on total claimable credits for all eligible taxpayers per calendar year; specifying that the credit may be claimed for fuels with lifecycle greenhouse gas emissions and product transportation emissions below certain thresholds; adding credit values for low lifecycle emissions renewable fuels and sustainable aviation fuels produced; allowing a taxpayer who previously claimed a credit to claim another one for taxable years beginning after 12/31/2024; amending the credit period to be for a maximum period of ten consecutive years beginning from the effective date of this Act; and amending the required information in the certified statement. Effective 7/1/3000.  
(HD1)

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

