

A Bill for an Act Relating to Income Tax Credits for Energy Conservation.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The Hawaii state plan calls for our economy to make every practical effort to reduce our dependence on imported oil. Solar water heaters and heat pumps have played a major role in this energy conservation effort. The economic viability of solar water heaters and heat pumps are dependent on the price of oil and also on the availability of tax credits. Since 1985, when the federal tax credits expired, solar water heater installations on Oahu dropped from 3,084 in 1985 to only 38 in 1988.

In 1985, oil was \$30 per barrel, as compared to about \$20 in 1988, and about \$16.50 per barrel in January of 1989. As a result, heat pump installations dropped from almost 3,000 residential and 118 commercial units in 1985, to only 1,500 residential and 63 commercial units in 1988 (a large proportion of the 1,500 residential heat pumps installed in 1988 were installed in military housing).

Accordingly, the legislature finds that the current low price of imported oil has adversely affected the competitive viability of solar water heaters, heat pumps, and other conservation and alternate energy conversion devices and that additional incentives in the form of higher state tax credits are needed to ensure that progress will continue toward the State's goal of reducing its dependence on imported oil.

SECTION 2. Section 235-12, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) Each individual and corporate resident taxpayer who files an individual or corporate net income tax return for a taxable year, may claim a tax credit under this section against the Hawaii state individual or corporate net income tax. The tax credit may be claimed for any solar or wind energy device, heat pump, or ice storage system in an amount not to exceed ten per cent of the total cost of the device, heat pump, or ice storage system; provided that the tax credit shall apply only to the actual cost of the solar or wind energy device, the heat pump, or ice storage system, their accessories, and installation and shall not include the cost of consumer incentive premiums unrelated to the operation of the solar or wind energy device, the heat pump, or ice storage system offered with the sale of the solar or wind energy device, the heat pump, or ice storage system. The credit shall be claimed against net income tax liability for the year in which the solar or wind energy device, the heat pump, or ice storage system was purchased and placed in use; provided:

- (1) The tax credit shall be applicable only with respect to solar devices, which are erected and placed in service after December 31, 1974, but before December 31, 1992;
- (2) In the case of wind energy devices and heat pumps, the tax credit shall be applicable only with respect to wind energy devices and heat pumps which are installed and placed in service after December 31, 1980, but before December 31, 1992; and
- (3) In the case of ice storage systems, the tax credit shall be applicable only with respect to ice storage systems which are installed and placed in service after December 31, 1985, but before December 31, 1992.

Tax credits which exceed the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. If federal energy tax credits are not extended beyond December 31, 1985, are not retroactively extended or reenacted, or federal energy tax credits the same as or

less in amount than the credits in effect during the 1985 taxable year are not enacted during the taxable year 1986, then the state tax credit shall be increased to [fifteen] twenty per cent of the total cost after December 31, [1985,] 1989, to December 31, 1992.”

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

SECTION 3. This Act, upon its approval, shall apply to taxable years after December 31, 1989.

(Approved June 13, 1989.)