ACT 163 S.B. NO. 2092

A Bill for an Act Relating to Income Tax Law.

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

SECTION 1. The legislature finds that Hawaii's energy resources and physical environment must be managed and protected in a manner that ensures the health, safety, and welfare of the citizens of the State, while preserving its limited natural resources for future generations. An effective means of protecting the State's fragile environment is to use energy more efficiently. Utility demand-side management programs have pledged millions of dollars in customer rebates for the use of energy-

efficient technologies, some of which are based on a partnership with state energy conservation tax credits.

The legislature further finds that energy conservation income tax credits have been a successful, beneficial, and cost-effective means of increasing the use of solar and wind energy, heat pump, and ice storage systems. An extension of the income tax credits provided for these systems will continue to promote their widespread use and reduce the use of imported fossil fuels.

To encourage energy efficiency and sustainability, the policy of the State since 1976 has been to provide tax credits for energy conserving systems. This policy has served the State well. Hawaii now leads the nation in per capita installations of residential systems. These installations have saved the State millions of dollars each year due to reduced imported oil, economic development by stimulating environmentally sensitive businesses and employment, and reduced monthly utility bills. As a result, our State has become a national leader in solar energy applications.

As a State blessed with solar energy resources, the potential to benefit from these resources should be encouraged and supported since these resources have an even greater potential of contributing to Hawaii's increased energy efficiency and sustainability.

The purpose of this Act is to encourage the use of energy conserving systems by:

(1) Extending the effective duration of these energy conservation income tax credits an additional four and one-half years; and
(2) Creating a task force to explore the most cost-effective means for supporting increased energy efficiency and sustainability.

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

"(b) For taxable years beginning after December 31, 1989, each individual or 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 as follows:

(1) For wind energy systems that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, the credit shall be twenty per cent of the actual cost;
(2) For solar energy systems that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, on new and existing single family residential buildings, the credit shall be in an amount not to exceed thirty-five per cent or $1,750, whichever is less, of the actual cost of the solar energy system;
(3) For solar energy systems that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, on new and existing multiunit buildings used primarily for residential purposes, the credit shall be in an amount not to exceed thirty-five per cent or $350 per building unit, whichever is less, of the actual cost of the solar energy system; [provided that a licensed professional engineer reviews the design of the system and provides a written opinion that the system, in accordance with recognized engineering practice, is designed to provide not less than eighty per cent of the daily annual average hot water needs of all of the occupants of the building;]
(4) For solar energy systems that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, in new

and existing hotel, commercial, and industrial facilities, the credit shall be in an amount not to exceed thirty-five per cent of the actual cost of the solar energy system;

(5) For heat pumps that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, in new and existing single-family residential buildings, the credit shall be in an amount not to exceed twenty per cent or $400, whichever is less, of the actual cost of the heat pump;

(6) For heat pumps that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, in new and existing multiunit buildings used primarily for residential purposes, the credit shall be in an amount not to exceed twenty per cent or $200 per building unit, whichever is less, of the actual cost of the heat pump; provided that a licensed professional engineer reviews the design of the system and provides a written opinion that the system, in accordance with recognized engineering practice, is designed to provide not less than ninety per cent of the daily annual average hot water needs of all of the occupants of the building;

(7) For heat pumps that are installed and placed in service after December 31, 1989, but before [January 1, 1999,] July 1, 2003, in new and existing hotel, commercial, and industrial facilities, the credit shall be in an amount not to exceed twenty per cent of the actual cost of the heat pump; and

(8) For ice storage systems that are installed and placed in service after December 31, 1990, but before [January 1, 1999,] July 1, 2003, the credit shall be in an amount not to exceed fifty per cent of the actual cost of the ice storage system.

The per unit of actual cost of a solar energy system or heat pump referred to in subsection (b)(3) and (6) shall be determined by multiplying the actual cost of the solar energy system or heat pump installed and placed in service in the multiunit building by a fraction, the numerator being the total square feet of that unit in the multiunit building, and the denominator being the total square feet of all the units in the multiunit building.

If federal energy tax credits similar to any of those provided in paragraphs (1) to (8) are established after June 30, 1998, but before July 1, 2003, then the state tax credit provided in the respective paragraph or paragraphs shall be reduced by the amount of the applicable federal energy tax credit."

SECTION 3. (a) There is created a task force, within the department of business, economic development, and tourism, to explore the most cost-effective means for supporting increased energy efficiency and sustainability by:

(1) Examining alternatives to encourage the efficient use of energy;

(2) Considering the merits of active participation in the federal Million Solar Roofs Program, a partnership with businesses, communities, federal, state, and local governments, and utilities to install solar energy systems on one million roofs across the United States by the year 2010; and

(3) Making recommendations on the most cost-effective means for increased energy efficiency.

(b) In selecting task force members, the department of business, economic development, and tourism shall ensure that there is representation from:

(1) The department of business, economic development, and tourism;

(2) The solar industry;

(3) The utilities industry; and

(4) The building industry.

(c) The task force shall report its findings and recommendations to the legislature no later than January 1, 2002.

(d) The task force shall cease to operate on January 1, 2002.

SECTION 4. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 1998.

(Approved July 14, 1998.)