
A BILL FOR AN ACT

RELATING TO ENERGY STORAGE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii's dependency
2 on imported fuel drains the State's economy of billions of
3 dollars each year. A stronger local economy depends on a
4 transition away from imported fuels and toward renewable local
5 resources that provide a secure source of affordable energy.

6 The legislature also finds that alternative energy
7 technologies have advanced significantly in recent years,
8 leading to an explosion in new markets, jobs, and local energy
9 sources. Due to these and other advances, Hawaii has made
10 significant progress toward energy independence.

11 The legislature further finds that Hawaii is in a period of
12 significant transition. In 2015, the legislature increased the
13 State's clean energy goals from forty per cent renewable energy
14 by 2030 to one hundred per cent renewable energy by 2045. The
15 public utilities commission closed the State's net energy
16 metering program and created two new distributed energy options:
17 grid-supply and self-supply systems. Grid-supply systems allow



1 the customer to export excess energy onto the electrical grid.
2 The public utilities commission capped the grid-supply system,
3 and the cap limit will likely be reached by June 2016. Self-
4 supply systems allow the customer to generate on-site
5 electricity, but the customer may not export energy onto the
6 grid. Most self-supply systems require a form of storage to be
7 viable, and self-supply systems with storage can provide many
8 useful services to the electrical grid for the benefit of the
9 utility and all customers.

10 The purpose of this Act is to update the renewable energy
11 technologies income tax credit to reflect recent changes in
12 clean energy technology and state policy, and to ensure that the
13 State will continue to make robust progress toward its clean
14 energy goal of one hundred per cent renewable energy by 2045.

15 SECTION 2. Section 196-6.5, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "§196-6.5 Solar water heater system required for new
18 single-family residential construction. (a) On or after
19 January 1, 2010, no building permit shall be issued for a new
20 single-family dwelling that does not include a solar water
21 heater system that meets the standards established pursuant to



1 section 269-44, unless the coordinator approves a variance. A
2 variance application shall only be accepted if submitted by an
3 architect or mechanical engineer licensed under chapter 464, who
4 attests that:

- 5 (1) Installation is impracticable due to poor solar
6 resource;
- 7 (2) Installation is cost-prohibitive based upon a life
8 cycle cost-benefit analysis that incorporates the
9 average residential utility bill and the cost of the
10 new solar water heater system with a life cycle that
11 does not exceed fifteen years;
- 12 (3) A renewable energy technology system[~~, as defined in~~
13 ~~section 235-12.5,~~] is substituted for use as the
14 primary energy source for heating water; or
- 15 (4) A demand water heater device approved by Underwriters
16 Laboratories, Inc., is installed; provided that at
17 least one other gas appliance is installed in the
18 dwelling. For the purposes of this paragraph, "demand
19 water heater" means a gas-tankless instantaneous water
20 heater that provides hot water only as it is needed.



1 (b) A request for a variance shall be submitted to the
2 coordinator on an application prescribed by the coordinator and
3 shall include a description of the location of the property and
4 justification for the approval of a variance using the criteria
5 established in subsection (a). A variance shall be deemed
6 approved if not denied within thirty working days after receipt
7 of the variance application. The coordinator shall publicize:

8 (1) All applications for a variance within seven days
9 after receipt of the variance application; and

10 (2) The disposition of all applications for a variance
11 within seven days of the determination of the variance
12 application.

13 (c) The director of business, economic development, and
14 tourism may adopt rules pursuant to chapter 91 to impose and
15 collect fees to cover the costs of administering variances under
16 this section. The fees, if any, shall be deposited into the
17 energy security special fund established under section 201-12.8.

18 (d) Nothing in this section shall preclude any county from
19 establishing procedures and standards required to implement this
20 section.



1 (e) Nothing in this section shall preclude participation
2 in any utility demand-side management program or public benefits
3 fee program under part VII of chapter 269.

4 (f) As used in this section, "renewable energy technology
5 system" means a new system that captures and converts a
6 renewable source of energy, such as solar or wind energy, into:

7 (1) A usable source of thermal or mechanical energy;

8 (2) Electricity; or

9 (3) Fuel."

10 SECTION 3. Section 235-12.5, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "§235-12.5 Energy Properties; income tax credit. (a)

13 When the requirements of subsection (d) are met, each individual
14 or corporate taxpayer that files an individual or corporate net
15 income tax return for a taxable year may claim a tax credit
16 under this section against the Hawaii state individual or
17 corporate net income tax. The tax credit may be claimed for
18 every eligible [~~renewable energy technology system~~] energy
19 property that is [~~installed and~~] placed in service in the State
20 by a taxpayer during the taxable year. The [~~tax credit may be~~
21 ~~claimed as follows:~~



1 ~~(1) For each solar energy system: thirty five per cent of~~
2 ~~the actual cost or the cap amount determined in~~
3 ~~subsection (b), whichever is less; or~~
4 ~~(2) For each wind powered energy system: twenty per cent~~
5 ~~of the actual cost or the cap amount determined in~~
6 ~~subsection (b), whichever is less;~~
7 ~~provided that multiple]~~ amount of the tax credit and the
8 requirement to claim a tax credit under this section shall be
9 determined in accordance with section 48, of the Internal
10 Revenue Code of 1986, as amended, in the case of a business tax
11 credit, and section 25, of the Internal Revenue Code of 1986, as
12 amended, in the case of an individual tax credit, and
13 regulations and administrative guidance and pronouncements
14 promulgated thereunder.

15 Multiple owners of [a single system] an energy property
16 shall be entitled to a single tax credit; [and] provided
17 [~~further~~] that the tax credit shall be apportioned between the
18 owners in proportion to their contribution to the cost of the
19 [~~system~~] energy property.

20 In the case of a partnership, S corporation, estate, or
21 trust, the tax credit allowable is for every eligible [~~renewable~~



1 ~~energy technology system]~~ energy property that is [~~installed~~
2 ~~and]~~ placed in service in the State by the entity. The cost
3 upon which the tax credit is computed shall be determined at the
4 entity level. Distribution and share of credit shall be
5 determined pursuant to section 235-110.7(a).

6 ~~[(b) The amount of credit allowed for each eligible~~
7 ~~renewable energy technology system shall not exceed the~~
8 ~~applicable cap amount, which is determined as follows:~~

9 ~~(1) If the primary purpose of the solar energy system is~~
10 ~~to use energy from the sun to heat water for household~~
11 ~~use, then the cap amounts shall be:~~

12 ~~(A) \$2,250 per system for single family residential~~
13 ~~property;~~

14 ~~(B) \$350 per unit per system for multi family~~
15 ~~residential property; and~~

16 ~~(C) \$250,000 per system for commercial property;~~

17 ~~(2) For all other solar energy systems, the cap amounts~~
18 ~~shall be:~~

19 ~~(A) \$5,000 per system for single family residential~~
20 ~~property; provided that if all or a portion of~~
21 ~~the system is used to fulfill the substitute~~



- 1 ~~renewable energy technology requirement pursuant~~
2 ~~to section 196 6.5(a)(3), the credit shall be~~
3 ~~reduced by thirty five per cent of the actual~~
4 ~~system cost or \$2,250, whichever is less;~~
- 5 ~~(B) \$350 per unit per system for multi family~~
6 ~~residential property; and~~
- 7 ~~(C) \$500,000 per system for commercial property; and~~
- 8 ~~(3) For all wind powered energy systems, the cap amounts~~
9 ~~shall be:~~
- 10 ~~(A) \$1,500 per system for single family residential~~
11 ~~property; provided that if all or a portion of~~
12 ~~the system is used to fulfill the substitute~~
13 ~~renewable energy technology requirement pursuant~~
14 ~~to section 196 6.5(a)(3), the credit shall be~~
15 ~~reduced by twenty per cent of the actual system~~
16 ~~cost or \$1,500, whichever is less;~~
- 17 ~~(B) \$200 per unit per system for multi family~~
18 ~~residential property; and~~
- 19 ~~(C) \$500,000 per system for commercial property.~~
- 20 ~~(e)]~~ (b) For the purposes of this section:



1 ~~["Actual cost" means costs related to the renewable energy~~
2 ~~technology systems under subsection (a), including accessories~~
3 ~~and installation, but not including the cost of consumer~~
4 ~~incentive premiums unrelated to the operation of the system or~~
5 ~~offered with the sale of the system and costs for which another~~
6 ~~credit is claimed under this chapter.~~

7 ~~"Household use" means any use to which heated water is~~
8 ~~commonly put in a residential setting, including commercial~~
9 ~~application of those uses.~~

10 ~~"Renewable energy technology system" means a new system~~
11 ~~that captures and converts a renewable source of energy, such as~~
12 ~~solar or wind energy, into:~~

- 13 ~~(1) A usable source of thermal or mechanical energy;~~
14 ~~(2) Electricity; or~~
15 ~~(3) Fuel.~~

16 ~~"Solar or wind energy system" means any identifiable~~
17 ~~facility, equipment, apparatus, or the like that converts solar~~
18 ~~or wind energy to useful thermal or electrical energy for~~
19 ~~heating, cooling, or reducing the use of other types of energy~~
20 ~~that are dependent upon fossil fuel for their generation.]~~



1 "Energy property" has the same meaning defined in section
2 48 of the Internal Revenue Code of 1986, as amended, and the
3 regulations and administrative guidance and pronouncements
4 promulgated thereunder.

5 "Solar energy property" has the same meaning defined in
6 Treasury Regulations section 1.48-9(d), and the administrative
7 guidance and pronouncements promulgated thereunder.

8 ~~[(d)]~~ (c) For taxable years beginning after December 31,
9 2005, the dollar amount of any utility rebate shall be deducted
10 from the cost of the qualifying ~~[system]~~ energy property and its
11 installation before applying the state tax credit.

12 ~~[(e)]~~ (d) The director of taxation shall prepare any forms
13 that may be necessary to claim a tax credit under this section~~[7~~
14 ~~including forms identifying the technology type of each tax~~
15 ~~credit claimed under this section, whether for solar or wind]~~.

16 The director may also require the taxpayer to furnish reasonable
17 information to ascertain the validity of the claim for credit
18 made under this section and may adopt rules necessary to
19 effectuate the purposes of this section pursuant to chapter 91.

20 ~~[(f)]~~ (e) If the tax credit under this section exceeds the
21 taxpayer's income tax liability, the excess of the credit over



1 liability may be used as a credit against the taxpayer's income
2 tax liability in subsequent years until exhausted, unless
3 otherwise elected by the taxpayer pursuant to subsection (f) or
4 (g) [~~(h)~~]. All claims for the tax credit under this section,
5 including amended claims, shall be filed on or before the end of
6 the twelfth month following the close of the taxable year for
7 which the credit may be claimed. Failure to comply with this
8 subsection shall constitute a waiver of the right to claim the
9 credit.

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

20 The election required by this subsection shall be made in a
21 manner prescribed by the director on the taxpayer's return for



1 the taxable year in which the [~~system~~] energy property is
2 installed and placed in service. A separate election may be
3 made for each separate [~~system~~] energy property that generates a
4 credit. An election once made is irrevocable.

5 [~~(h)~~] (g) Notwithstanding subsection [~~(g)~~] (f), for any
6 [~~renewable energy technology system~~] energy property, an
7 individual taxpayer may elect to have any excess of the credit
8 over payments due refunded to the taxpayer, if:

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

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

14 provided that tax credits properly claimed by a taxpayer who has
15 no income tax liability shall be paid to the taxpayer; [~~and~~]
16 provided further that no refund on account of the tax credit
17 allowed by this section shall be made for amounts less than \$1.

18 A husband and wife who do not file a joint tax return shall
19 only be entitled to make this election to the extent that they
20 would have been entitled to make the election had they filed a
21 joint tax return.



1 The election required by this subsection shall be made in a
2 manner prescribed by the director on the taxpayer's return for
3 the taxable year in which the [~~system~~] energy property is
4 installed and placed in service. A separate election may be
5 made for each separate [~~system~~] energy property that generates a
6 credit. An election once made is irrevocable.

7 [~~(i)~~] (h) No taxpayer shall be allowed a credit under this
8 section for the portion of the [~~renewable energy technology~~
9 ~~system~~] energy property required by section 196-6.5 that is
10 installed and placed in service on any newly constructed single-
11 family residential property authorized by a building permit
12 issued on or after January 1, 2010.

13 [~~(j)~~] (i) To the extent feasible, using existing resources
14 to assist the energy-efficiency policy review and evaluation,
15 the department shall assist with data collection on the
16 following for each taxable year:

17 (1) The number of [~~renewable energy technology systems~~]
18 energy properties that have qualified for a tax credit
19 during the calendar year by:

20 (A) Technology type; and

21 (B) Taxpayer type (corporate and individual); and



1 (2) The total cost of the tax credit to the State during
2 the taxable year by:

3 (A) Technology type; and

4 (B) Taxpayer type.

5 ~~[(k)]~~ (j) This section shall apply to eligible ~~[renewable]~~
6 energy ~~[technology systems that are installed and]~~ property
7 placed in service on or after July 1, ~~[2009-]~~ 2017."

8 SECTION 4. If any provision of this Act, or the
9 application thereof to any person or circumstance, is held
10 invalid, the invalidity does not affect other provisions or
11 applications of the Act that can be given effect without the
12 invalid provision or application, and to this end the provisions
13 of this Act are severable.

14 SECTION 5. This Act does not affect rights and duties that
15 matured, penalties that were incurred, and proceedings that were
16 begun before its effective date.

17 SECTION 6. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 7. This Act, upon its approval, shall apply to
20 taxable years beginning after December 31, 2016.



Report Title:

Renewable Energy; Solar and Wind Energy Property; Tax Credit

Description:

Conforms the current renewable energy technology systems tax credit with federal renewable energy tax credits. Applies to taxable years beginning after December 31, 2016. (HB2511 HD1)

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

