



# **RENEWABLE ENERGY TECHNOLOGIES INCOME TAX CREDIT UPDATE**

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**Section 235-12.5, Hawaii  
Revised Statutes  
Maui Solar Summit 2013**

# 2013 LEGISLATIVE SESSION

- Many renewable energy bills were introduced.
- S.B. 1198 / H.B. 967 were the renewable energy bills introduced on behalf of the administration, but were not passed out of the respective subject matter committees.
- S.B. 623 was the bill passed by the Senate and House into Conference, but was not passed out of the Conference Committee by the final decking deadline of Friday, April 26, 2013.
- These various drafts of the bill may be viewed in the entirety at [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)

# TEMPORARY ADMINISTRATIVE RULES OVERVIEW

- Effective November 16, 2012
- Expires May 16, 2014
- **Applies to systems installed and placed in service on or after January 1, 2013**
- Section 18-235-12.5-01T – Definitions
- Section 18-235-12.5-03T – Other Solar Energy Systems
- Section 18-235-12.5-05T – Mixed-use Properties and Multiple Properties
- Section 18-235-12.5-06T – Application of sections 18-235-12.5-01T through 18-235-12.5-05T

# TAX INFORMATION RELEASE No. 2012-01

- Issued November 20, 2012
- Highlights important changes to the calculation of the Renewable Energy Technologies Income Tax Credit (RETITC) for "other solar energy systems," including photovoltaic systems.
- Explains that "total output capacity" is the starting point for calculating the RETITC for "other solar energy systems."
- Provides a worksheet that should be used to allocate the total actual cost to each system where more than one system is installed and placed in service on a single property during a taxable year.

# “TOTAL OUTPUT CAPACITY”

Section 18-235-12.5-01T(a)(11) of the temporary administrative rules states:

- “Total output capacity” means the combined individual output capacities (maximum power) of all identifiable facilities, equipment, apparatus or the like that make up the renewable energy technology system installed and placed in service during a taxable year measured in kilowatts.
- For photovoltaic systems:
  - Total output capacity = maximum power of each cell, module, or panel at Standard Test Conditions in kilowatts multiplied by the number of cells, modules, or panels installed and placed in service during the taxable year.
    - Maximum power of the cell, module or panel must be obtained from the equipment specifications published by the manufacturer

# “TOTAL OUTPUT CAPACITY”

- “Total output capacities” of all installations that occur during a taxable year must be combined.
  - Separate systems have not been installed simply because installations occurred at different times during a taxable year.
    - Each system for which a credit is claimed must meet the applicable total output capacity requirement or an exception.
- “Total output capacity” requirements – sections 18-235-12.5-03T(a)(1) through (a)(3)
  - Single-family residential property – at least 5 kilowatts per system
  - Multi-family residential property – at 0.360 kilowatts per unit per system
  - Commercial property – at least 1,000 kilowatts per system

# “TOTAL OUTPUT CAPACITY” - EXCEPTIONS

- Under sections 18-235-12.5-03T(b)(1) and (b)(2) respectively, a credit may be claimed for a system which does not meet the applicable “total output capacity” requirement where:
  - Only one system has been installed and placed in service on a single property during a taxable year, or
  - More than one system has been installed and placed in service on a single property during a taxable year and only one of those systems fails to meet the applicable “total output capacity” requirement.
- The “total output capacity” exceptions provided under §18-235-12.5-03T(b)(1) and (2) apply to “other solar energy systems” installed for **all property classifications** including single-family residential, multi-family residential, commercial, and mixed-use properties.

# CALCULATIONS WORKSHEET – TIR 2012-01

| Line                          | Description  |  |
|-------------------------------|--|--|
| <b>Total Output Capacity</b>  |  |  |
| <b>A</b>                      | Maximum power of each cell, module or panel  | _____kilowatts   |
| <b>B</b>                      | Total number of cells, modules or panels installed and placed in service during the taxable year | _____cells, modules, or panels   |
| <b>C</b>                      | Total Output Capacity<br>(Multiply Line A by Line B)   | _____kilowatts   |
| <b>D</b>                      | Total Actual Cost of all installations during the taxable year                                   | \$ _____   |
| <b>E</b>                      | Actual Cost per kilowatt<br>(Divide Line D by Line C)  | \$ _____   |
| <b>Actual Cost Per System</b> |  |  |
| <b>F1</b>                     | Actual Cost to be allocated to System 1<br>(Multiply Line E by Line F1-kW)                       | <b>F1</b><br>\$ _____  |
|                               | <b>F1-kW</b><br>Total Output Capacity of System 1 = _____ kilowatts                              | Enter this amount on the appropriate line of Form N-342 or Form N-342A |
| <b>F2</b>                     | Actual Cost to be allocated to System 2<br>(Multiply Line E by Line F2-kW)                       | <b>F2</b><br>\$ _____  |
|                               | <b>F2-kW</b><br>Total Output Capacity of System 2 = _____ kilowatts <sup>8</sup>                 | Enter this amount on the appropriate line of Form N-342 or Form N-342A |
| <b>F3</b>                     | Actual Cost to be allocated to System 3<br>(Multiply Line E by Line F3-kW)                       | <b>F3</b><br>\$ _____  |
|                               | <b>F3-kW</b><br>Total Output Capacity of System 3 = _____ kilowatts <sup>8</sup>                 | Enter this amount on the appropriate line of Form N-342 or Form N-342A |



# CALCULATIONS CONTINUED

|   |   |   |
|---|---|---|
| <b>F4</b>   | Actual Cost to be allocated to System 4<br>(Multiply Line E by Line F4-kw)  | <b>F4</b><br>\$_____  |
|   | <b>F4-kW</b><br>Total Output Capacity of System 4 = _____ kilowatts <sup>8</sup>  | Enter this amount on the appropriate line<br>of Form N-342 or Form N-342A |
| <b>F5</b>   | Actual Cost to be allocated to System 5<br>(Multiply Line E by Line F5-kW)  | <b>F5</b><br>\$_____  |
|   | <b>F5-kW</b><br>Total Output Capacity of System 5 = _____ kilowatts <sup>8</sup>  | Enter this amount on the appropriate line<br>of Form N-342 or Form N-342A |
| <p><i>Note: Additional lines should be added here as needed where more than five systems have been installed and placed in service during the taxable year on a single property. A credit may be claimed for each system which meets the applicable total output capacity requirement or the exception as set forth in section 18-235-12.5-03T(b)(2).</i></p> |   |   |
| <b>G</b>  | Sum of Lines F1 through F5<br>Line G must equal Line D. The sum of the Total<br>Output Capacities allocated to each system must equal<br>to Line C. | \$_____   |
| <b>H</b>  | Add Lines F1-kW to F5-kW<br>(Sum of Total Output Capacities allocated to each<br>system.)<br>Line H must equal Line C.                              | _____kilowatts  |

THE END

Revised May 23, 2013