

## Available Tax Credits

### Solar Thermal System (solar water heaters)

35% tax credit. Effective Date Installed and placed in service after July 1, 2006

- Single family residential property: 35% of actual cost or \$2,250, whichever is less.
- Multi-family residential property: 35% of actual cost or \$350 per unit, whichever is less.
- Commercial property: 35% of actual cost or \$250,000, whichever is less.

### Photovoltaic (PV) System

35% tax credit. Effective Date Installed and placed in service after July 1, 2006

- Single family residential property: 35% of actual cost or \$5,000, whichever is less.
- Multi-family residential property: 35% of actual cost or \$350 per unit, whichever is less.
- Commercial property: 35% of actual cost or \$500,000, whichever is less.

### Wind System

Effective Date 20% tax credit. Installed and placed in service after July 1, 2006

- Single family residential property: 20% of actual cost or \$1,500, whichever is less.
- Multi-family residential property: 20% of actual cost or \$200 per unit, whichever is less.
- Commercial property: 20% of actual cost or \$500,000, whichever is less.

**Multiple Owners** of a single system (solar thermal, PV, or wind) are entitled to a single tax credit that shall be apportioned between the owners in proportion to their contribution to the cost of the system.

## General Information

1. All tax credits apply only to the actual cost of the system, including accessories and installation. They do not include consumer incentives and costs for which another credit is claimed.
2. The tax credit shall be claimed against net income tax liability for the year in which the energy system was purchased and placed in use in Hawaii. You can only claim the credit if you owe taxes; the credit is not refundable to residents who don't have a tax liability.
3. Tax credits that exceed the taxpayer's income tax liability may be used as credit against income tax liability in subsequent years until exhausted.
4. The State Director of Taxation may require the taxpayer to furnish reasonable information to support the claim for credits.
5. "Renewable energy technology system" means a system that captures and converts a renewable source of energy, such as wind, heat (solar thermal), or light (photovoltaic) from the sun into:
  - a) A usable source of thermal or mechanical energy;
  - b) Electricity; or
  - c) Fuel.
6. "Solar or wind energy system" means any identifiable facility, equipment, apparatus, or the like that converts insolation or wind energy to useful thermal or electrical energy for heating, cooling, or reducing the use of other types of energy that are dependent upon fossil fuel for their generation.
7. For the taxable years beginning after December 31, 2005, the dollar amount of any utility rebate shall be deducted from the cost of the qualifying system and its installation before applying the state tax credit.
8. Additions to existing systems and new systems for second homes qualify for this credit. However, repairs to existing systems do not qualify.

**Questions on this State tax credit may be addressed to the Taxpayers Services Branch, State Department of Taxation, 587-4242. Neighbor Island residents call toll free, 1-800-222-3229.**

## **Owner Satisfaction**

- 90% of solar water heating system owners said their systems were performing as well as they had expected – or even better.
- 85% said their water heating systems had never required any major repairs.

## **Savings**

- 83% of solar water heating system owners say their utility bill savings meet or exceed what they expected before they bought the system.
- Solar water heating systems can save the average home owner about 30%–50% on monthly utility bills.

## **Solar May Help with Your Mortgage**

U.S. Environmental Protection Agency's "Energy Star® Homes" program helps homeowners with solar water heaters qualify for Energy Efficient Mortgages. These may, for example, stretch qualifying ratios, lower interest rates, or reduce closing costs. Call your local electric utility for more information. Savings in utility costs generated from a U.S. Department of Housing & Urban Development (HUD) accepted solar energy system may be considered when qualifying borrowers for HUD- insured mortgages. Some restrictions apply. Contact HUD at 522-8190 for more information.

- *Source: Survey by the DBEDT Strategic Industries Division*

## **Enabling Legislation**

**The Hawaii Renewable Energy Tax Credits were revised by Act 240, Session Laws of Hawaii 2006.**