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Testimony of **MARK B. GLICK, Chief Energy Officer**

before the **HOUSE COMMITTEE ON FINANCE**

Wednesday, February 19, 2025
2:30 PM
State Capitol, Conference Room 308 and Videoconference

Providing Comments on **HB 1369**

RELATING TO TAXATION.

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee, the Hawai'i State Energy Office (HSEO) has concerns about HB 1369, which repeals two energy tax credits (specifically Section 15, pages 44-53 of the bill, which would repeal HRS §235-12.5, Renewable Energy Technologies Income Tax Credit, and Section 18, pages 71-82, which would repeal HRS §235-110.32, Renewable Fuels Production Tax Credit) and amends other statutes (specifically HRS §196-6.5, pages 1-2 of the bill, and HRS §241-46, page 93) that reference the sections proposed for repeal.

HSEO's comments are guided by its statutory duties to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient clean energy economy, and to provide recommendations on the continued necessity of energy-related incentives and tax credits.

Hawai'i's energy and decarbonization goals, which include the production of 100% renewable electricity by 2045¹ or sooner,² zero-emission transportation,³ and the reduction of greenhouse gas emissions to net negative "as quickly as practicable but no

¹ Hawaii Revised Statutes, [§269-92](#) Renewable portfolio standards.

² [Executive Order Number 25-01, Accelerating Hawai'i's Transition Toward 100 Percent Renewable Energy.](#)

³ Hawaii Revised Statutes, [§225P-8](#) Zero emissions transportation.

later than 2045,"⁴ require a continuing rapid pace and the involvement of all renewable energy technologies and fuel production projects.

Tax incentives have proven to be an effective mechanism to achieve these goals. Abruptly and completely repealing any tax credits would disrupt the businesses affected and the livelihoods of those employed by them. With solar energy critically important to Hawai'i's energy and decarbonization goals, as recognized by Executive Order No. 25-01, Accelerating Hawai'i's Transition Toward 100 Percent Renewable Energy (Jan. 28, 2025), HSEO recommends maintaining the renewable energy technologies income tax credit for most taxpayers. Any significant reduction in this credit should be according to a sunset schedule over five years or longer.

Coupled with uncertainty around Federal support and economy-wide inflation concerns, the proposed amendments would cause a significant disruption in the industry, affecting both behind-the-meter and larger projects, as well as homeowners and businesses looking to reduce their expenses during this challenging time. Removing the tax credits would likely have extremely deleterious effects on project financing, potentially eliminating the jobs associated with them. Further, while there is substantial overlap between taxpayers and ratepayers, the state's income tax system is progressive.⁵ Increasing the cost of developing energy projects via this proposed credit reduction would create the effect of a regressive tax on ratepayers, leading to a direct increase in energy costs for low- and middle-income ratepayers in order to repeal the credit. HSEO is open to working with the Committee to improve the tax credit in the future by making it more equitable, accessible to low- and moderate-income households, and better aligned with Hawai'i's long-term clean energy goals but opposes a blanket repeal.

Currently, this tax credit applies to all eligible renewable energy technology systems installed and placed in service within the state. While higher-income households have historically been more likely to claim the credit, its benefits can extend to all income groups.⁶ By incentivizing greater adoption of renewable energy, the credit

⁴ Hawaii Revised Statutes, §[225P-5](#) Zero emissions clean economy target.

⁵ https://tax.hawaii.gov/blog/blog05_hawaiis-individual-income-tax-is-progressive/

⁶ Hawai'i State Energy Office. (2023). *Hawai'i Pathways to Decarbonization Act 238 Report to the 2024 Hawai'i State Legislature*, pp 44-51.

contributes to increased renewable energy penetration on the grid, which in turn reduces dependence on expensive and price-volatile residual fuel oil. This shift helps lower overall electricity costs and stabilizes energy prices, benefiting all ratepayers—especially lower-income households and businesses that are disproportionately affected by high energy costs.

Should the Committee continue to pursue amending this tax credit, HSEO suggests the following adjustments to continue to deliver the tax credit for homeowners who need it most, with the relevant amendment in ***bold italics***:

“ (i) No taxpayer shall be allowed a credit under this section for ~~the portion of the renewable energy technology system required by section 196-6.5 that is installed and placed in service on any newly constructed single-family residential property authorized by a building permit issued on or after January 1, 2010.~~ ***a system placed in service during a year in which a single taxpayer reports income over \$200,000, a married taxpayer reports income over \$400,000, or an unmarried head of household reports income over \$300,000.***”

Continuing the credit for low- and middle-income households will support their ability to access clean energy for their home, and lessen the disruption to those employed in the distributed solar installation industry. HSEO strongly recommends maintaining the credit, and any responsible reduction should include a sunset schedule over a period of years.⁷ If the Legislature proceeds with this measure, HSEO recommends reviewing potential projects affected. HSEO defers to the appropriate agency regarding the bill's implementation.

Regarding the renewable fuels production tax credit, Section 235-110.32, Hawai'i Revised Statutes, the last certificate for this tax credit was in 2023 for the calendar year of 2022. HSEO is in discussions with clean fuel producers to identify what policy support would help them establish their business in Hawai'i.

Thank you for the opportunity to testify.

⁷ See, e.g., Solar Energy and Energy Storage Provisions of the IRA, available at <https://seia.org/wp-content/uploads/2022/08/Inflation20Reduction20Act20Summary20PDF2010.13.22-1.pdf>