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TAX INFORMATION RELEASE NO. 2026-02

RE: Act 24, Session Laws of Hawaii 2026, Relating to the Renewable Energy Technologies Income Tax Credit

This Tax Information Release (TIR) provides guidance on how the $40,000,000 aggregate cap on the Renewable Energy Technologies Income Tax Credit (RETITC) will apply to credits claimed in 2027 for renewable energy technologies systems installed and placed in service in 2026.

Act 24 Annual Credit Cap

Act 24, Session Laws of Hawaii 2026 ("Act 24"), made significant changes to the RETITC, including the imposition of an annual $40,000,000 credit cap retroactive to the beginning of 2026. Thus, credits claimed in 2027 for renewable energy technologies systems installed and placed in service in 2026, will be subject to the annual credit cap.

Executive Order 26-02

Executive Order 26-02 was issued by the Governor on June 8, 2026 (the "EO") to address the potential disruption of renewable energy projects and investments resulting from the enactment of Act 24 and its retroactive application of the annual credit cap. The EO exempts certain renewable energy project investments from the annual credit cap applicable to systems installed and placed in service in 2026 and directs the Department of Taxation to issue clarifying guidance as follows:

> [A] renewable energy technology system, as defined in section 235-12.5, Hawaii Revised Statutes, placed in service in calendar year 2026, shall not be subject to the annual $40,000,000 aggregate cap on allowable credits, provided the system was either completed before May 21, 2026 or the taxpayer can demonstrate to the satisfaction of the Hawaii State Energy Office and the Department of Taxation that it reasonably relied on the ability to claim credits when it invested resources in furtherance of the financing, planning, designing, permitting, or installation of the system prior to May 21, 2026. Nothing in this executive order shall be construed to allow a taxpayer to claim uncapped credits for a renewable energy technology system that does not satisfy the criteria above.

Application of RETITC Annual Cap to Credits Claimed in 2027

Pursuant to Act 24 and the EO, the RETITC annual credit cap will apply to claims made in 2027 for renewable energy technologies systems installed and placed in service in 2026, except that the cap will not apply to systems installed and placed in service before May 21, 2026, and to systems installed and placed in service by the end of calendar year 2026, provided taxpayer can demonstrate, to the satisfaction of the Hawaii State Energy Office (HSEO) and the Department of Taxation (DOTAX), that it made an investment of resources for the system prior to May 21, 2026, upon reasonable reliance that it could claim the full amount of allowable tax credits.

The "investment of resources" shall mean a payment made or cost incurred prior to May 21, 2026, for a renewable energy technologies system installed and placed in service in 2026. A determination as to when a payment was made or when a cost was incurred shall be determined by the usage of those terms as defined in Treasury Regulation section 1.461-1(a)(1) and (2).

A qualifying payment or cost incurred must have been for services or costs related to financing, planning, designing, permitting, or installation of the renewable energy technologies system for which credits are being claimed.

"Reasonable reliance" on the ability to claim the full amount of allowable tax credits will be presumed where taxpayer can demonstrate an "investment of resources," as defined herein, to the satisfaction of HSEO and DOTAX.

In summary, systems installed and placed in service before May 21, 2026, will be exempted from the 2027 RETITC annual credit cap. The exemption will also apply to systems installed and placed in service before the end of 2026, provided taxpayers can demonstrate the following to the satisfaction of HSEO and DOTAX:

- The making of a payment or incurring of a cost for the system prior to May 21, 2026, as defined in Treasury Regulation section 1.461-1(a)(1) and (2); and

- The payment or cost incurred must have been for the financing, planning, designing, permitting, or installation of the renewable energy technologies system for which credits are being claimed.

Eligibility for the exemption from the RETITC annual cap will be determined through a certification process, information for which will be provided later. If you have any questions about this Release, please contact the Department of Taxation's Rules Office at 808-587-1530, or email at Tax.Rules.Office@hawaii.gov.

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