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INSTRUCTIONS
FORM N-342
(REV. 2020)

STATE OF HAWAII—DEPARTMENT OF TAXATION

INSTRUCTIONS FOR FORM N-342
RENEWABLE ENERGY TECHNOLOGIES INCOME TAX CREDIT

(FOR SYSTEMS INSTALLED AND PLACED IN SERVICE ON OR AFTER JULY 1, 2009)

(NOTE: References to "married" and "spouse" are also references to "in a civil union" and "civil union partner," respectively.)

CHANGES YOU SHOULD NOTE

Act 61, Session Laws of Hawaii 2020 – The Renewable Energy Technologies Income Tax Credit (RETITC) is amended by repealing the RETITC for commercial projects with a total output capacity of 5 megawatts or greater for taxable years beginning after December 31, 2019 and provides grandfathering exceptions for commercial solar projects with a: (1) Total output capacity of 5 megawatts or greater if the project received a Public Utilities Commission (PUC) approval prior to December 31, 2019; and (2) Pumped hydroelectric energy storage system provided that the applicable project approval filings have been made to the PUC by December 31, 2021.

COMPOSITE FILING OF FORM N-342

Any individual or corporate taxpayer who is eligible to claim the renewable energy technologies income tax credit for **10 or more** systems or distributive shares of systems installed and placed in service in a single tax year may file a **composite Form N-342**. A composite Form N-342, which is designated with the word "COMPOSITE" printed in capital letters at the top of the form, is used to report the total amounts from Form N-342C, Composite Schedule for Form N-342. For more information and instructions on filing a composite Form N-342, see Department of Taxation Announcement No. 2012-01 and the Instructions for Form N-342C. **Note:** *Failing to properly file and/or comply with the terms and conditions for composite filing (e.g., filing a composite Form N-342 to claim the renewable energy technologies income tax credit for less than 10 systems installed and placed in service in a single tax year) may result in the disallowance of all or part of the credits and the revocation of the election to composite file.*

GENERAL INSTRUCTIONS

PURPOSE OF FORM

Use Form N-342 to figure and claim the RETITC under section 235-12.5, Hawaii Revised Statutes (HRS). Use one Form N-342 for each system. If you have carryover credit(s), see the "Carryover Credit" section below.

WHO MAY CLAIM THIS CREDIT

If you are the economic owner of an eligible renewable energy technology system that was installed and placed in service in Hawaii during the taxable year, you may claim this credit if:

(1) You are an individual or corporate taxpayer subject to Hawaii income tax under chapter 235, HRS; or

(2) You are a taxpayer subject to Hawaii franchise tax under chapter 241, HRS.

For more information, see Tax Information Release No. 2007-02, "*Relating to the Renewable Energy Technologies Income Tax Credit.*"

MULTIPLE OWNERS OF A SYSTEM

Multiple owners of a single system are entitled to a single tax credit. Each owner may claim a portion of the credit based on how much it paid towards the cost of the system subject to the tax credit cap. For example, three individuals install and place in service a solar water heater on a single-family residential property in Hawaii. They split the costs evenly. The credit is the lesser of 35% of the actual cost or $2,250. Each individual may claim one-third of the credit. To claim the credit, each owner must complete Form N-342 and report its share of the total costs.

FLOW-THROUGH ENTITIES

If you are a partnership, S corporation, estate, trust, or condominium apartment association who is the economic owner of an eligible renewable energy technology system that was installed and placed in service in Hawaii during the taxable year, figure the amount of the credit at the entity level on Form N-342 and attach it to your return. Use a separate Form N-342 for each eligible renewable energy technology system. Prepare a separate Form N-342A, Information Statement Concerning the Renewable Energy Technologies Income Tax Credit for Systems Placed in Service on or After July 1, 2009, to report the distributive share of the credit for each partner, shareholder, member, or beneficiary for each eligible system. If you are a partnership or S corporation, attach Form N-342A to each partner's or shareholder's Schedule K-1. Attach a copy of Form N-342A given to each partner, shareholder, member, or beneficiary to your return.

WHEN THE CREDIT MAY NOT BE CLAIMED

This credit may not be claimed it any of the following apply:

(1) You are using the entire cost of the system to claim another credit.

(2) You are the lessee in a Power Purchase Agreement (PPA).

(3) Your solar water heater system was required to be installed on new single-family residential property under section 196-6.5, HRS.

(4) Your wind-powered energy system is a substitute for a required solar water heater system under section 196-6.5, HRS.

Note: If you install a solar energy system, such as a photovoltaic (PV) system as a substitute for a required solar water heater system under section 196-6.5, HRS, then you must reduce your credit by the lesser of 35% of the actual system cost or $2,250.

CREDIT REQUIREMENTS

To claim this credit, you must complete and attach to your Hawaii income tax return or Hawaii franchise tax return:

(1) Form N-342

(2) Schedule CR (For tax returns for which Schedule CR is required)

(3) Form N-342A (Required only if you are claiming a distributive share of a credit from a partnership, S corporation, estate, trust, or condominium apartment association)

(4) Schedule K-1 (Required only if you are claiming a distributive share of a credit from a partnership, S corporation, estate, or trust)

CARRYOVER CREDIT

If you have a carryover credit from last year for a system installed and placed in service before July 1, 2009, use Form N-323 and its instructions instead of this form. If you have a carryover credit(s) from last year for a system(s) installed and placed in service after July 1, 2009, complete one Form N-342 for your carryover credit(s). If you are also claiming a credit(s) for a system(s) installed and placed in service in the taxable year, complete a separate Form N-342 for each system.

DEADLINE FOR CLAIMING THE CREDIT

The deadline to claim the credit, including any amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

HOW TO TREAT THE TAX CREDIT

NONREFUNDABLE: A nonrefundable credit means your credit will be applied towards the amount of income tax you owe. If your nonrefundable credit is greater than the amount of income tax that you owe, then you may carryover the remaining credit and apply it towards next year's income tax. You may continue to carryover the credit until it is used up.

REFUNDABLE (IRREVOCABLE): You may make an irrevocable election to claim the credit as refundable. A refundable credit means you will receive a tax refund if your credit amount is greater than the amount of income tax

you owe. You may elect to claim the credit as a refundable credit under the following circumstances:

Reduced Credit

For a solar energy system, such as a solar water heater or PV system, you must reduce the credit amount by 30%, unless you meet the conditions described in the "Full Credit" paragraph below.

Full Credit

For a solar or wind energy system, you may claim the full credit as a refundable credit if you are an individual taxpayer and any of the following apply:

(1) All of your (and your spouse's) income is retirement income such as pension distributions, social security, or distributions from a public retirement system that is exempt from Hawaii income tax; or

(2) Your Hawaii adjusted gross income (AGI) is $20,000 or less ($40,000 or less if you are married filing a joint return).

Irrevocable Election

A separate election may be made for each separate system that generates a tax credit. **Once an election is made to treat the tax credit as refundable, the election cannot be revoked.** An amended return cannot be filed to change the tax credit from refundable to nonrefundable. A taxpayer and spouse who do not file a joint tax return shall only be entitled to make this election to the extent that they would have been entitled to make the election had they filed a joint return.

For more information, see Tax Information Release No. 2010-10, *"Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit, HRS §235-12.5."*

TOTAL OUTPUT CAPACITY

A system classified under "*Other Solar Energy System*," such as a PV system, must meet the total output capacity requirement for the credit unless an exception applies. The total output capacity of the system determines how many credits you can claim.

The total output capacity requirements are:

(1) Single-family residential property **-** 5 kilowatts per system

(2) Multi-family residential property **-** 0.360 kilowatts per unit per system

(3) Commercial property - 1,000 kilowatts per system

For PV systems, total output capacity is the maximum power of the 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. The maximum power of the cell, module, or panel must be provided and published by the manufacturer of the cell, module, or panel.

A credit may be claimed for a system that does not meet the total output capacity requirements if it qualifies for one of the following exceptions:

- Only One Credit Being Claimed - If a system that does not meet the total output capacity requirement is installed and placed in service on one property during the tax year, then the taxpayer may claim one credit.

Example: Taxpayer installs a PV system with a total output capacity of 4.0 kilowatts on his house (single-family residential property). Even though the system does not meet the total output capacity requirement of 5.0 kilowatts, the taxpayer may claim one credit.

- Only One System Does Not Meet the Requirement - If more than one system is installed and placed in service during the tax year and one of the systems fails to meet the total output capacity requirement, then the taxpayer may still claim one credit for each system including a credit for the one system that does not meet the total output capacity requirement.

Example: Taxpayer installs a PV system with a total output capacity of 8.5 kilowatts on his home (single-family residential property). The taxpayer may claim 2 credits. The first system is 5.0 kilowatts, the second system is 3.5 kilowatts, and the cost would be allocated accordingly. The cost of the system cannot be split evenly.

CALCULATION — ALLOCATION OF TOTAL COST FOR OTHER SOLAR ENERGY SYSTEMS

Listed below is the calculation to determine the total output capacity and the allocation of the total cost per system where more than one system is installed and placed in service on a single property in the taxable year.

Line	Description	Amount
Total Output Capacity		
A	Maximum power of each cell, module, or panel	_____ kilowatts
B	Total number of cells, modules, or panels installed and placed in service during the taxable year	_____ cells, modules, or panels
C	Total output capacity (Multiply line A by line B)	0.00 kilowatts
D	Total cost of all installations during the taxable year	$_____
E	Cost per kilowatt (Divide line D by line C)	$_____
Total Cost Per System		
F1	Total cost to be allocated to System 1 (Multiply line E by line F1-kW)	**F1** $ 0.00
	F1-kW Total output capacity of System 1 = _____ kilowatts	Enter this amount on 1st Form N-342, line 1
F2	Total cost to be allocated to System 2 (Multiply line E by line F2-kW)	**F2** $ 0.00
	F2-kW Total output capacity of System 2 = _____ kilowatts	Enter this amount on 2nd Form N-342, line 1
F3	Total cost to be allocated to System 3 (Multiply line E by line F3-kW)	**F3** $ 0.00
	F3-kW Total output capacity of System 3 = _____ kilowatts	Enter this amount on 3rd Form N-342, line 1
F4	Total cost to be allocated to System 4 (Multiply line E by line F4-kW)	**F4** $ 0.00
	F4-kW Total output capacity of System 4 = _____ kilowatts	Enter this amount on 4th Form N-342, line 1
Note:	*Additional lines should be added here as needed where more than four systems have been installed and placed in service during the taxable year on a single property.*	
G	Sum of lines F1 through F4 Line G must equal line D. The sum of the total output capacities allocated to each system must equal to line C.	$ 0.00
H	Add lines F1-kW to F4-kW (Sum of total output capacities allocated to each system.) Line H must equal line C.	0.00 kilowatts

TAX CREDIT RATES

The tax credit may be claimed for the following renewable energy technology systems installed and placed in service in Hawaii on or after July 1, 2009

	Type of Renewable Energy Technology System	Tax Credit Rate
1.	**Solar energy systems - Primary purpose is to use energy from the sun to heat water for household use**	
	a. Single-family residential property.	The lesser of 35% of the actual cost of the system or $2,250.
	b. Multi-family residential property.	Per building unit: The lesser of 35% of each unit's actual cost of the system or $350.
	c. Commercial property.	The lesser of 35% of the actual cost of the system or $250,000.
	Solar energy systems - All other solar energy systems	
	a. Single-family residential property.	The lesser of 35% of the actual cost of the system or $5,000.
	b. Multi-family residential property.	Per building unit: The lesser of 35% of each unit's actual cost of the system or $350.
	c. Commercial property.	The lesser of 35% of the actual cost of the system or $500,000.
2.	**Wind-powered energy systems**	
	a. Single-family residential property.	The lesser of 20% of the actual cost of the system or $1,500.
	b. Multi-family residential property.	Per building unit: The lesser of 20% of each unit's actual cost of the system or $200.
	c. Commercial property.	The lesser of 20% of the actual cost of the system or $500,000.

DEFINITIONS

FOR PURPOSES OF THE TAX CREDIT

"Actual cost" means costs related to the renewable energy technology systems provided by section 235-12.5(a), HRS, including accessories and installation, but not including the cost of consumer incentive premiums unrelated to the operation of the system or offered with the sale of the system and costs for which another credit is claimed under Chapter 235, HRS.

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

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

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

(2) Electricity; or

(3) Fuel.

"Solar or wind energy system" means any identifiable facility, equipment, apparatus, or the like that converts solar 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.

"Installed and placed in service" means that the system is ready and available for its specific use. With respect to systems installed for residential property, all requirements will be completed and a system will be deemed to be installed and placed in service when: (1) The actual cost has been incurred; (2) all installation, including all related electrical work, has been completed; and (3) any required requests for inspection of the installation has been received by the appropriate government agency. However, if the residential installation fails to pass all the required inspections the credit is properly claimed in the taxable year in which the system passes such inspection.

SPECIFIC INSTRUCTIONS

Note: *If you are claiming a carryover credit(s), skip lines 1 through 46 and begin on line 47.*

Note: *Form N-20 and Form N-35 filers complete only lines 1 through 41 (Do Not complete lines 42 through 54).*

For eligible systems installed and placed in service in the taxable year, be sure to enter in the appropriate space (1) the physical property address where the system was installed and placed in service (enter "CARRYOVER" if claiming carryover credit(s)), (2) the date the system was installed and placed in service (leave blank if claiming carryover credit(s)), and (3) the Total Output Capacity if the credit being claimed is for an "other solar energy system" (leave blank if claiming carryover credit(s)). See the General Instructions for more information on "Total Output Capacity."

Lines 1 through 41 — Fill in the lines as they apply to your claim.

Lines 1 or 27 — Enter the qualifying cost of the eligible renewable energy technology system installed and placed in service in Hawaii. Do not claim more than your share of the costs if there are multiple owners of the eligible renewable energy technology system.

Lines 2 or 28 — Enter the dollar amount of any consumer incentive premiums unrelated to the operation of the system or offered with the sale of the system (such as "free solar powered products," "free gifts," offers to pay electricity bills, or rebates), costs for which another credit is claimed, and any utility rebate received for the qualifying renewable energy technology system.

The dollar amount of any consumer incentive premiums, costs for which another credit is claimed, and any utility rebate received are to be deducted from the cost of the qualifying system before determining the credit.

Lines 8, 20, and 33 — The per unit cost of a solar or wind-powered energy system installed and placed in service in Hawaii in a multi-family residential property may be determined as follows:

$$\frac{\text{Total square feet of your unit}}{\text{Total square feet of all units in the multi-family residential property}} \times \text{The actual cost of the system}$$

If the above per unit cost calculation does not fairly represent the owners' contribution to the cost of the system, provide an alternative calculation.

Line 42 — If you want to elect to claim the tax credit as a refundable tax credit, check box 42a or box 42b. **Once an election is made to treat the tax credit as refundable, the election cannot be revoked or amended.**

Lines 43 through 46 — If you are claiming the credit as **refundable**, complete lines 43 through 46 as they apply to your claim.

Lines 47 through 54 — If you are claiming the credit as **nonrefundable**, complete lines 47 through 54 as they apply to your claim

Line 47 — If you have unused renewable energy technologies income tax credit(s) (for one or more systems installed and placed in service on or after July 1, 2009) to carry over from the prior year, enter the total carryover amount on this line. If you have carryover credit(s) and are also claiming a credit for an eligible system installed and placed in service in the taxable year, complete one Form N-342 for the carryover credit(s) and then a separate Form N-342 for each eligible system installed and placed in service for that taxable year.

Line 48 — **Total New Credit Claimed** — Enter the amount from line 14, 26, 39, 40, or 41. Also include this amount on Schedule CR, line 21 in **Column (a)**.

Line 50 — **Adjusted Tax Liability** — Enter your adjusted tax liability.

- Form N-11 filers, enter the amount from Form N-11, line 34.
- Form N-15 filers, enter the amount from Form N-15, line 51.
- Form N-30 filers, enter the amount from Form N-30, line 13.
- Form N-40 filers, enter the amount from Form N-40, Schedule G, line 3.
- Form N-70NP filers, enter the amount from Form N-70NP, line 18.

Line 51 — The law requires that ALL other credits offset a taxpayer's tax liability BEFORE allowing a renewable energy technologies income tax credit. **Complete the *Credit Worksheet*** in these instructions and enter the result on line 51. If you are claiming the nonrefundable renewable energy technologies income tax credit for multiple systems, enter on line h of the worksheet the amount of tax credit that is being claimed on line 53 of other Form(s) N-342 that you have already completed for the taxable year.

Line 53 — **Total Credit Applied** — Compare the amounts on lines 49 and 52. Enter the smaller of line 49 or 52 here and in **Column (b)** on Schedule CR, line 21. This is your maximum credit applied for the taxable year.

Line 54 — **Unused Credit to Carryover** — This represents your carryover of renewable energy technologies income tax credit which exceeds your net income tax liability and may be used as a credit against your net income tax liability in subsequent years until exhausted. If this amount is more than zero, also enter this on Schedule CR, line 21 in **Column (c)**.

CREDIT WORKSHEET

	Tax Credit	Amount
a.	Income Taxes Paid to Another State or Foreign Country	
b.	Enterprise Zone Tax Credit	
c.	Carryover of the Energy Conservation Tax Credit.....	
d.	Credit for Employment of Vocational Rehabilitation Referrals	
e.	Carryover of the Individual Development Account Contribution Tax Credit	
f.	Credit for School Repair and Maintenance	
g.	Carryover of the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service Before July 1, 2009).....	
h.	Nonrefundable Renewable Energy Technologies Income Tax Credit (Form N-342)	
i.	Add lines a through h. Enter the amount here and on line 51.	