

Honolulu, Hawaii

FEB 08 2007

RE: S.B. No. 1098

S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 1098 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY SELF-SUFFICIENCY,"

begs leave to report as follows:

The purpose of this measure is to reduce our dependence on petroleum products, encourage the purchase of motor vehicles that operate on alternative fuels, and promote the use of renewable energy in homes.

The measure attempts to accomplish this purpose by providing a general excise tax exemption for the installation of solar thermal energy systems and the purchase of fuel efficient automobiles.

Your Committee received a fiscal impact statement from the Department of Taxation indicating that this measure, if passed, would result in a revenue loss to the State of \$1.5 million for fiscal year 2008.

Your Committee received testimony in support of this measure from the Hawaii Solar Energy Association and Hawaii Renewable Energy Alliance. The Department of Business, Economic Development, and Tourism submitted testimony in support of the intent of this measure. The Department of Taxation and the Tax Foundation of Hawaii submitted comments on this measure.



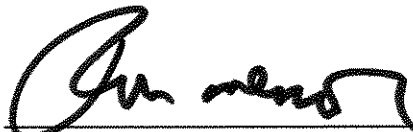
Your Committee finds that promoting the use of solar energy for water heating and energy efficient vehicles is the most cost effective approach to reducing Hawaii's demand for imported fossil fuels. In addition, your Committee finds that energy conservation can be further advanced by general excise tax exemptions on the sale of biofuels, provided that the end consumer realizes the savings from this exemption.

Accordingly, your Committee amended this measure by:

- (1) Defining "solar thermal energy system";
- (2) Redefining the exemption for "fuel efficient" automobiles to alternative fuel motor vehicles or hybrid vehicles that meet or exceed thirty-five miles per gallon for highway driving and that can also operate using non-petroleum biodiesel;
- (3) Including a general excise tax exemption for the sale of biofuels with an assurance that the end consumer will benefit from the exemption; and
- (4) By adopting the Department of Taxation recommendation to clarify that the tax exemptions apply to gross income or gross proceeds received on or after January 1, 2008.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1098, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1098, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,

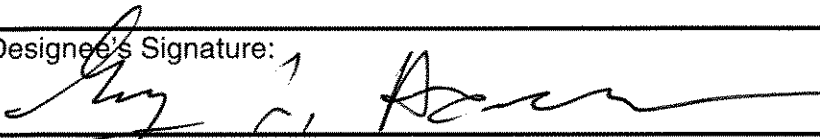


RON MENOR, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* SB 1098	Committee Referral: ENE, EOT, WAM	Date: 2/06/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MENOR, Ron (C)	✓			
HOOSER, Gary L. (VC)	✓			
IHARA, Jr., Les				✓
KOKUBUN, Russell S.	✓			
TRIMBLE, Gordon	✓			
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency				

*Only one measure per Record of Votes