

Honolulu, Hawaii

FEB 08 2007

RE: S.B. No. 1703
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. 1703 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to reduce Hawaii's dependency on imported petroleum.

The measure attempts to accomplish this purpose by:

- (1) Levying an additional one per cent general excise tax on the gross proceeds of the sale of passenger cars and light duty trucks weighing more than five thousand pounds curb weight;
- (2) Establishing a Clean Fuel Revolving Fund into which the additional one per cent tax will be deposited to provide rebates to individuals who purchase qualified alternative fuel vehicles or hybrid vehicles in Hawaii; and
- (3) Providing a general excise tax exemption for amounts received from the sale of qualified alternative fuel vehicles and hybrid vehicles.

Your Committee received testimony in support of this measure from the Sierra Club, Hawai'i Chapter. Your Committee received testimony in opposition to this measure from the Alliance of



Automobile Manufacturers. The Department of Taxation submitted testimony in opposition to part of this measure. The Department of the Attorney General submitted recommendations for this measure. The Department of Business, Economic Development, and Tourism, Hawaii Automobile Dealers Association, and the Tax Foundation submitted comments on this measure.

Your Committee finds that encouraging the purchase of fuel efficient and alternative fuel vehicles is crucial to Hawaii's energy and economic security. Your Committee further finds that the "feebate" program established in this bill may be an effective method of accomplishing this goal with a reduced fiscal impact to the State. However, significant concerns were raised by several testifiers including the impact this measure will have on trucks used for agricultural purposes and work duty.

Your Committee received a fiscal impact statement from the Department of Taxation indicating that the additional general excise tax on certain passenger cars and trucks does not have any revenue impact. However, this general excise tax would collect an additional \$6.8 million which would then be allocated to the Clean Fuel Revolving Fund.

Your Committee amended this measure by changing the effective date to encourage further discussion and to enable subsequent committees to address concerns about this bill.

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. 1703, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1703, 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 1703	Committee Referral: ENE, EDT, WAM	Date: 2/07/06		
<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	2		1	2
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