

Honolulu, Hawaii

FEB 04 2008

RE: S.B. No. 2744
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 2744 entitled:

"A BILL FOR AN ACT RELATING TO HYDROGEN FUEL,"

begs leave to report as follows:

The purpose of this measure is to provide an income tax credit and general excise tax exemption for the hydrogen fuel industry.

Specifically, this measure authorizes:

- (1) A hydrogen fuel tax credit applicable to all capital, operation, maintenance, or leasing costs, including the costs of constructing, installing, and equipping, related to investments in hydrogen-powered vehicles, hydrogen vehicle fueling stations, and commercial stationary hydrogen fuel cells in the State; and
- (2) A general excise tax exemption on the value or gross income derived from the sale of hydrogen fuel and hydrogen powered vehicles and their materials or parts.

Testimony in support of this measure was submitted by Ballard Power Systems; Plug Power Inc.; H2 Technologies, Inc.; Natural Energy Laboratory of Hawaii Authority; US Fuel Cell Council; National Hydrogen Association; Hawaii Solar Energy Association; and Ida Tech plc. Testimony in opposition to this measure was



submitted by the Department of Taxation; and the Hawaii Renewable Energy Alliance. Comments were submitted by the Tax Foundation of Hawaii.

Your Committee finds that hydrogen fuel is an important part of the greater portfolio of renewable energy technologies that can serve as both an energy storage device and a source of power generation. Therefore, this measure provides incentives for the creation of infrastructure to replace polluting technologies such as combustion engines, lead-acid batteries, and diesel generators with ultra-clean, efficient hydrogen fuel.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that the tax credit only applies to the use of hydrogen fuel produced by a renewable energy source; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and style.

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. 2744, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2744, 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,

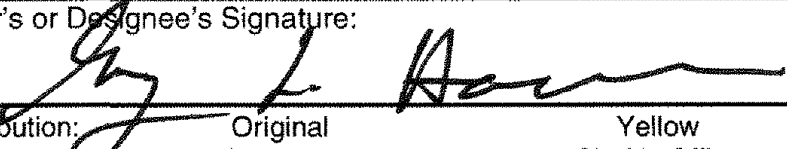


RON MENOR, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2744	ENE, EDT, WAM	1/31/08		
<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 File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency		

*Only one measure per Record of Votes