

STAND. COM. REP. NO.

2778

Honolulu, Hawaii

FEB 29 2008

RE: S.B. No. 2764

S.D. 3

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

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2764, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ETHANOL FACILITY TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to repeal the qualifying capacity limits provision of the ethanol facility tax credit.

The measure also provides a vehicle to change the total amount of ethanol facility tax credits allowed per year and repeals the sunset provision with respect to the total annual nameplate capacity for qualifying ethanol production facilities.

Your Committee received testimony in support of the measure from Alexander and Baldwin Company. Your Committee received comments on the measure from the Department of Business, Economic Development, and Tourism, the Department of Taxation, and the Tax Foundation of Hawaii.

Your Committee finds that since April 2, 2006, at least eighty-five per cent of Hawaii's gasoline has been E-10 unleaded, which means gasoline containing ten per cent ethanol. Unfortunately, since there is no ethanol produced in Hawaii, the State imports \$96,000,000 worth of ethanol from foreign markets to meet the E-10 requirement.

This measure represents an opportunity for the State not only to invest in and capitalize on the E-10 gas requirement, but also

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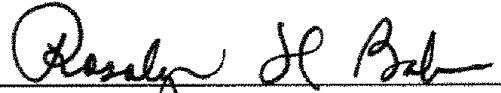


to reduce its dependence on fossil fuels and establish Hawaii as a green, energy efficient state.

Your Committee has amended the measure by removing the blank amounts representing the total ethanol facility tax credits allowed per year. By retaining the \$12,000,000 limit on tax credits, the State will be able to quantify the cost of the tax credit and better manage the new ethanol production industry.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2764, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2764, S.D. 3.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



ROSALYN H. BAKER, Chair



