

STAND. COM. REP. NO.

2543

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 3215
S.D. 2

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 3215, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO BIODIESEL,"

begs leave to report as follows:

The purpose of this measure is to provide various market stimulation incentives for the development of biodiesel through tax credits, State programs, and the availability of lands.

Testimony in support of this measure was submitted by the Department of Land and Natural Resources, Pacific Biodiesel, Inc., and Hawaiian Electric Company, Inc. Comments on this measure were submitted by the Department of Taxation, the Department of Agriculture, the Tax Foundation of Hawaii, and the Life of the Land.

Your Committee finds that by providing tax incentives to develop and produce biodiesel in the State of Hawaii, it creates an opportunity for in-state and out-of-state companies to have biodiesel projects in Hawaii. Development of biodiesel fuels in Hawaii could benefit the State by reducing our dependence on imported oil, petroleum, or fossil fuel sources.

Accordingly, it is the intent of your Committee to support various economic incentives for companies to develop and produce biodiesel in Hawaii.



The Department of Taxation submitted a revenue impact statement which explained that the State would experience an indeterminate revenue loss from this measure. The Department's statement referenced a 2006 Hawaii Agricultural Research Center study that concluded that there are many viable feedstock crops that could be produced in Hawaii, but that none are currently in production.

Your Committee has amended this measure by:

- (1) Removing the specific percentage (one hundred per cent) of gain realized by a fee simple owner; and
- (2) Removing the specific percentage (one hundred per cent) of income derived from an oil seed crushing facility;

from section 235-7(a)(13) and (a)(14), Hawaii Revised Statutes, respectively, and leaving those percentages blank to facilitate further discussion on this issue. Your Committee has also made technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3215, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 3215, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



