

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 644

S.D. 2

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 644, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY RESOURCES,"

begs leave to report as follows:

The purpose of this measure is to encourage and increase the use of renewable energy to protect the environment and reduce pollution. Specifically, this measure:

- (1) Requires the installation of solar devices for heating water in all new residential construction, beginning January 1, 2009; and
- (2) Expands the existing income tax credit for solar thermal energy systems installed in new homes and retrofitted in existing homes.

Your Committee received testimony in support of this measure from the Windward Ahupua'a Alliance and the Hawaii Association of Realtors. Hawaii Electric Company, The Gas Company, and the Land Use Research Foundation of Hawaii submitted testimony in opposition to this measure. The Department of Business, Economic Development, and Tourism; the Department of Taxation; Hawaii Solar Energy Association; and the Tax Foundation of Hawaii submitted comments on this measure.

Your Committee received a revenue impact statement from the Department of Taxation (Department) that stated this measure would



result in a revenue loss of \$24,400,000 per year for fiscal year 2010 and thereafter.

In its methodology, the Department stated that based on 2004 data, total tax credit claims for solar device by individual taxpayers amounted to \$1,800,000. The average increase in credit limits for a solar device is thirty-seven per cent (forty-four per cent for a single-family unit and twenty-nine per cent for a multi-family unit). By applying the average increase of thirty-seven per cent to the current tax credit claims, the amount of tax credit will increase by \$700,000 annually. In 2005, the number of new single-family units was 6,937 and the number of new multi-family units was 2,769. The total tax credit claims for solar devices installed in new residential constructions would be approximately \$23,700,000 (\$22,500,000 for single-family units and \$1,200,000 for multi-family units).

Your Committee has heard a wide range of concerns regarding this measure, and acknowledges that many of the issues raised have not been responded to adequately in the bill. However, your Committee believes the concept of encouraging renewable energy has considerable merit and it is the intention of your Committee to support continued discussion.

Your Committee has amended this measure by:

- (1) Adding "or comparable renewable energy devices" in the findings and purpose and throughout section 2; and
- (2) Inserting an effective date of July 1, 2040, for the purposes of further discussion.

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. 644, 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. 644, S.D. 2.



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

Carol Fukunaga

CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* SB 644 SDI	Committee Referral: ENE, EDT, WAM	Date: 2/15/07
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The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam			✓	
TOTAL	3		1	1

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature: 

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*Only one measure per Record of Votes