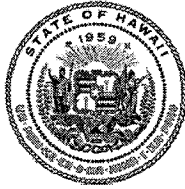


LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

TESTIMONY REGARDING HB 3064 HD 2 SD 1 RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDITS

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: MARCH 18, 2008

TIME: 1:15PM

ROOM: 224

This measure amends the Renewable Energy Technologies Income Tax Credit by allowing the credit to be refundable for those that have little Hawaii taxable income.

The Senate Committee on Energy & Environment amended this measure by unspecifying the adjusted gross income amounts for purposes of determine credit qualification.

The Department of Taxation (Department) **strongly supports** this Lingle-Aiona Administration measure as a policy to encourage additional investment in renewable energy technologies.

PURPOSE OF REFUNDABLE CREDIT

Under current Hawaii law, pension income, including social security is not taxable. This population includes retirees that may have little Hawaii taxable income (investment income) due to the exclusion, but would otherwise have the resources to invest in these technologies. This legislation will allow those with the resources to obtain a refundable incentive for installations of renewable energy technologies. This legislation also extends to any taxpayer with less than \$_____ of adjusted gross income. This would provide incentives for the lower- and middle-class to invest in these technologies, depending upon what this amount ultimately is.

ADJUSTED GROSS INCOME AMOUNT

The Department is open to the unspecifying of the adjusted gross income limits for discussion purposes, to the extent that the income amounts are reasonable. The intent of the measure is to provide a refundable credit for those that have low Hawaii taxable income. This adjusted gross income amount should reflect this intent.

As a guide for selecting the proper adjusted gross income, the Department provides the following chart from US Department of Health & Human Services. The Department submits that \$20,000 adjusted gross income in the prior bill represented the income of a family at or near poverty in Hawaii.

2008 HHS Poverty Guidelines

Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,400	\$13,000	\$11,960
2	14,000	17,500	16,100
3	17,600	22,000	20,240
4	21,200	26,500	24,380
5	24,800	31,000	28,520
6	28,400	35,500	32,660
7	32,000	40,000	36,800
8	35,600	44,500	40,940
For each additional person, add	3,600	4,500	4,140

REVENUE IMPACT

This legislation will result in an indeterminate amount due to the unspecified adjusted gross income level.

Assuming the \$20,000 adjusted gross figure was utilized, the revenue estimate is estimated to be \$41,000, starting in fiscal year 2009.

The estimate for making the renewable energy tax credit refundable for taxpayers with adjusted gross income of \$20,000 or less (or \$40,000 or less for joint filers) is based on 2005 renewable energy tax credit data. Total number of returns that claimed the renewable energy credit for Single/Married Filing Separate and Head of Households with AGI <\$20,000 is 316, with total amount claimed of \$117,304. Total number of returns that claimed the renewable energy credit for Single/Married Filing Separate and Head of Households with AGI <\$20,000 is 76 returns, with total amount claimed of \$16,861. Total number of returns that claimed the renewable energy credit for Joint filers with AGI <\$40,000 is 240, with total amount claimed of \$100,443. Total credit claimed was \$117,304. Assuming that because the credit is now refundable, there will be an increase of 35%. Therefore, the estimated lost in income tax is \$41,000 annually.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE
ON
ECONOMIC DEVELOPMENT AND TAXATION
Tuesday, March 18, 2008
1:15 p.m.
State Capitol, Conference Room 224

in consideration of
HB3064 HD2 SD1
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT.

Chair Fukunaga, Vice Chair Espero, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB3064, HD2, SD1, but strongly recommends adoption of HB3064, HD1, which reflects the original intent of this Administration measure. The Administration measure allows for the present renewable energy tax credits to be refundable for those taxpayers with an adjusted gross income of up to \$20,000. Joint filings by a husband and wife would be capped at \$40,000.

HB3064, HD2, SD1, makes changes to the Administrative measure by:

- (1) Changing the taxpayer's qualifying adjusted gross income limit to an unspecified amount;
- (2) Changing the measure's effective date to July 1, 2050 to facilitate continued discussion; and

(3) Making technical, nonsubstantive amendments for the purpose of style and clarity.

At present, the statutes governing the renewable energy tax credits are only offered to those with tax liabilities. Therefore, home owners who have no tax liability, such as retired persons on fixed incomes or certain low-income families, cannot take advantage of the sizeable tax credits offered. HB3064, HD1, would allow residential taxpayers to claim a refund for their investment in renewable energy technologies. Currently, the tax credit is 35%, with various dollar caps, for the cost to purchase and install solar water heating systems, photovoltaic systems, and wind systems. Home owners with limited or fixed incomes would benefit from the use of solar water heating or other renewable energy system to reduce their utility costs. Under the present statute, residential taxpayers who do not have a tax liability do not benefit from the renewable energy tax credits. HB3064, HD1, will allow the tax credits to be refundable to offset the cost of the renewable system.

During our many community outreach and exhibit efforts, we have often received comments from senior citizen home owners who are not able to claim the present tax credit. These home owners have felt shut out from the tax credit and the benefits of installing renewable energy devices.

Thank you for the opportunity to offer these comments.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAII AT MĀNOA

Hawai'i Energy Policy Forum

Mr. Robbie Alm, HECO
Ms. Amy Asselbaye, Ofc of US Rep.
Neil Abercrombie
Ms. Madeleine Austin, World Business
Academy
Ms. Catherine Awakuni, Div. of
Consumer Advocacy
Mr. Warren Bollmeier
Hi Renewable Energy Alliance
Mr. Carlito Caliboso, PUC (Observer)
Mr. Albert Chee, Chevron
Mr. Kyle Datta, U.S. Biofuels
Sen. Kalani English, HI State Senate
Mr. Mitch Ewan, UH HNEI
Mr. Carl Freedman
Haiku Design and Analysis
Mr. Mark Glick, OHA
Mr. Steve Golden, The Gas Company
Dr. Michael Hamnett, RCUH
Ms. Paula Helfrich, EDAH
Mr. William Kaneko, HI Institute for
Public Affairs
Mr. Maurice Kaya, DBEDT
Mr. Darren Kimura, Energy Industries
Holdings
Mr. Mike Kitamura, Ofc of US Sen.
Daniel K. Akaka
Mr. Kal Kobayashi, Maui County
Mr. Laurence Lau, DOH
Ms. Yvonne Lau, Ofc of US Rep.
Mazie Hirono
Mr. Ailyn Lee, C&C of HNL
Mr. Aaron Leong, Ofc of US Senator
Daniel K. Inouye
Dr. Stephen Meder, AIA-Honolulu
Sen. Ron Menor, HI State Senate
Mr. Jeff Mikulina, Sierra Club
Dr. Bruce Miller, UH Ofc of
Sustainability
Dr. Sharon Miyashiro, Social
Sciences Public Policy Ctr.
Rep. Hermina Morita, HI State
House of Representatives
Mr. Tim O'Connell, USDA/Rural
Development
Mr. Richard Paglinawan
Pa Ku'i A Lua
Ms. Melissa Pavlicek, Western States
Petroleum Assn
Mr. Randy Perreira, HI State AFL-CIO
Mr. Rick Reed, Inter-Island
Solar Supply
Dr. Rick Rocheleau, UH HNEI
Mr. Peter Rosegg, HECO
Mr. Steven Rymsha, KIUC
Mr. Riley Saito, PowerLight Corp.
Mr. Glenn Sato, Kauai County OED
Ms. Carolyn Shon, DBEDT
Mr. Bill Short, BIA of Hawaii
Mr. Ray Starling, HI Energy Grp
Mr. Lance Tanaka, Tesoro HI Corp
Dr. Don Thomas, UH Center for the
Study of Active Volcanoes
Mr. Murray Towill, Hawai'i
Hotel Assn
Ms. Joan White, Hon Community
Action Program

Testimony of
Warren Bollmeier
Co-Chair – Renewable Energy Working Group
Hawai'i Energy Policy Forum

Senate Committee on Economic Development and Taxation
Tuesday, March 18, 2008
1:15 p.m.
Conference Room 224

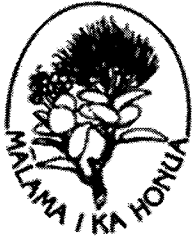
**IN SUPPORT OF HB 3064, SD 1 - Relating to Refundable Renewable Energy
Tax Credit**

I am Warren Bollmeier, Co-Chair of the Renewable Energy Working Group of the Hawaii Energy Policy Forum ("Forum"). The Forum is comprised of 45 representatives from the electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. We have been meeting since 2002 and have adopted a common vision and mission, and a comprehensive "10 Point Action Plan," which serves as a framework and guide for meeting our preferred energy vision and goals.

The Forum supports the passage of HB 3064, SD 1 as it helps achieve the goal of Point One - expand renewable energy opportunities. The purpose of HB 3064, SD 1 is to allow a taxpayer, whose income consists solely of pension benefits or has an unspecified adjusted gross income to qualify for a refundable tax credit for the purchase and installation of a renewable energy technology, including solar water heating, photovoltaic systems, and wind systems.

Thank you for this opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organization



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

March 18th, 2008, 1:15 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 3064 HD2 SD1

Chair Fukunaga and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 3064 HD2 SD1, providing a direct refund to retired or low income individuals for the purchase and installation of a renewable energy system.

Hawaii's renewable energy tax credits have proven incredibly successful in helping to promote the use of solar and other renewable energies in the state. Hawai'i currently leads the nation in the number of solar water heaters installed per capita (although 80% of homes still lack this basic renewable energy device).

House Bill 3064 HD2 SD1 would enable those who lack a taxable income over a certain amount to access the renewable energy incentive. It particularly makes sense to extend this tax credit in the form of a refund to those low-income homeowners who would most benefit from reduced energy costs provided by a solar water heater. Additionally, retired homeowners on a fixed income should be encouraged to invest in this smart technology as well.

Thank you for the opportunity to testify.

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

Officers

President
Warren S. Bollmeier II

Vice-President
John Crouch

Secretary/Treasurer
Cully Judd

Directors

Warren S. Bollmeier II
WSB-Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
Sunpower

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

HB 3064 HD2 SD1, RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT

March 18, 2008

Chair Fukunaga, Vice-Chair Espero and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 3064 HD2 SD1 is to allow a taxpayer whose sole source of income is derived from pension benefits or with an adjusted gross income of \$ or less to qualify for a refundable tax credit for the purchase and installation of a renewable energy technology, which includes solar water heating, photovoltaic, and wind systems

HREA **strongly supports** this bill, which will provide an option to those consumers (seeking to invest in wind or solar systems) that don't have a "tax credit" appetite.

Thank you for this opportunity to testify.

Testimony before the
Senate Committee on
Economic Development and Taxation

H. B. 3064 HD2, SD1 - Relating to Refundable Renewable Energy Tax Credit

Tuesday, March 18, 2008
1:15 p.m., Conference Room 224

by Keith Block
Director, Customer Efficiency Programs
Hawaiian Electric Company, Inc.

Chair Fukunaga, Vice Chair Espero and Members of the Committee:

My name is Keith Block and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company, Inc. (HELCO).

**Hawaiian Electric supports the use and development of
renewable energy and supports HB 3064 HD2, SD1.**

Hawaiian Electric has been encouraging the use of renewable energy through its residential solar water heating program for over 11 years. In that time the companies have provided rebates to over 39,000 customers for the installation of solar water heating systems on their homes.

Tax credits are a vehicle which the legislature has used successfully for many years. Making the renewable energy technology tax credit refundable for Hawaii residents who are exempt from taxation or who have low adjusted gross incomes should make these systems more affordable and accelerate Hawaii's transition to increased use of renewable energy. Increasing the penetration of renewable energy systems is consistent with State's energy policy and support achieving established Renewable Energy Portfolio Standards.

Thank you for this opportunity to testify



Hawaii Solar Energy Association

Serving Hawaii Since 1977

TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO H.B. 3064, H.D. 2, S.D. 1
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT
BEFORE THE
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION
ON
TUESDAY, MARCH 18, 2008

Chair Fukunaga, Vice-Chair Espero and members of the committee, my name is Rick Reed and I represent the Hawaii Solar Energy Assn (HSEA). The HSEA is a professional trade association established in 1977, and affiliated with the Solar Energy Industries Association (SEIA) in Washington, D.C. HSEA represents manufacturers, distributors, contractors, financiers, and utility companies active in the solar energy industry in Hawaii. We strongly support the passage of H.B. 3064, H.D. 2, S.D. 1.

This bill amends HRS 235-12.5 to allow resident taxpayers whose taxable income is either exempt from taxation, or falls below an unspecified – but assumed to be relatively low - AGI for singles and couples, to receive a cash refund rather than a standard income tax credit against taxable income for installing a solar water heating system, PV system, or wind generator.

This simple amendment will broaden the effectiveness and equity of this statute by making solar technologies more affordable to low income taxpayers, retired families and those whose retirement income is exempt in Hawaii from taxation.

Thank you for the opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable energy technology systems

BILL NUMBER: HB 3064, SD-1

INTRODUCED BY: Senate Committee on Energy and Environment

BRIEF SUMMARY: Amends HRS section 235-12.5 to provide that the renewable energy technologies income tax credit claimed by taxpayers with no taxable income or with adjusted gross income of under \$ _____ shall be refundable.

EFFECTIVE DATE: July 1, 2050; applicable to tax years beginning after December 31, 2007

STAFF COMMENTS: This is an administration measure submitted by the department of business, economic development and tourism BED-12(08). While the administration's justification sheet states that the adoption of this measure will allow residential taxpayers with no tax liability or those with low incomes to purchase a renewable energy system to help offset the upfront cost, it underscores the fact that such renewable energy systems are still not affordable to everyone.

If it is the intent of the legislature to encourage a greater use of renewable energy systems by all taxpayers, as an alternative, consideration should be given to a program of low-interest loans available to all income levels.

The combination of a low-interest loan which can be repaid with energy savings would have a much more broad-base application than a credit which amounts to nothing more than a "free monetary handout" or subsidy by state government for those taxpayers who more than likely can afford to make the conversion. A program of low or no-interest loans such as those proposed in HB 2101 would do much more to increase the acquisition of these devices. Persons of all income levels could borrow the funds, make the acquisition, and repay the state program in an amount equal to the avoided cost that their utility bills would now reflect.

To reiterate, if lawmakers truly want to provide a financial incentive for taxpayers to make the switch to using these alternative energy devices while taking advantage of the credit, then a program of no-interest, or low-interest loans would be far more effective. The state could provide the capital to acquire these devices, and the taxpayer could receive a discount of 30% provided by the federal tax credit. The amount of the state loan could then be amortized by the energy savings realized by the taxpayer.

Finally, it appears that there are some taxpayers for whom there is no state tax liability and therefore a nonrefundable tax credit such as the renewable energy tax credit provides no incentive. Again, this is one of the inherent flaws of using tax credits to entice certain behaviors. To change the credit now for some people and not for others from a nonrefundable to a refundable credit sets poor tax policy as it lacks consistency.

Digested 3/17/08

**THE UNIVERSITY OF HAWAII ENVIRONMENTAL CENTER IS
PLEASED TO SUBMIT THIS TESTIMONY IN ACCORDANCE
WITH ACT 132 OF 1970 WHICH CREATED THE CENTER.
AUTHORS ARE MEMBERS OF THE UNIVERSITY COMMUNITY.**

RL: 2197

HB 3064 HD2 SD1
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT

Senate Committee on Economic Development and Taxation

Public Hearing – March 18, 2008
1:15 p.m., State Capitol, Conference Room 224

By

James Moncur, Water Resources Research Center and Department of Economics
Peter Rappa, Environmental Center

HB 3064 HD2 SD1 allows a taxpayer whose sole source of income is derived from pension benefits or with an adjusted gross income not yet determined to qualify for a refundable tax credit for the purchase and installation of a renewable energy technology, which includes solar water heating, photovoltaic, and wind systems. We emphasize that our testimony on this measure does not represent an official position of the University of Hawaii.

The tax credit will help make affordable renewable energy technologies such as solar water heaters and photovoltaic technology available to those who may not be able to afford the purchase due to low income. Positive outcomes of this legislation would include the reduction of energy consumption through the purchase and use of energy saving devices which would help increase the viability of the renewable technology industry. Additionally, the state will be able to reduce the amount of greenhouse gas emissions through reduced household energy demand. It would be good however, if we knew more precisely the relationship between the value of saved energy and the size of energy credits. The fact of saving energy is not, alone, sufficient evidence that taxpayers in general should subsidize these technologies.

We would like to see stronger language application regarding the monitoring of results--how many credits, of what type, and to whom they were granted to help determine the broader implication of the program to the state and to assess the benefits thereof. If these types of tax incentives prove successful, they should be extended to other areas. If, however, the results are less than desirable then we should go back to the drawing board.

Thank you for the opportunity to comment on this bill.