

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

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Statement of  
**THEODORE E. LIU**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE**  
**ON**  
**FINANCE**  
Tuesday, February 26, 2008  
11:00 a.m.  
State Capitol, Conference Room 308

in consideration of  
**HB3064,HD1**  
**RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT.**

Chair Oshiro, Vice Chair Lee, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports HB3064,HD1, which is an Administration measure to allow 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.

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. This proposed bill would allow residential taxpayers to claim a refund for their investment in renewable energy technologies. At present the tax credit is for 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. This bill 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.

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  
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## HOUSE COMMITTEE ON FINANCE

### TESTIMONY REGARDING HB 3064 HD 1 RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT

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

**DATE: FEBRUARY 26, 2008**

**TIME: 11:00AM**

**ROOM: 308**

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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 House Committee on Energy & Environmental Protection amended the bill's effective date.

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

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 \$20,000 of adjusted gross income. This would provide incentives for the lower- and middle-class to invest in these technologies.

Annual revenue loss is estimated to be \$41,000, starting in fiscal year 2009.

Based upon the foregoing, the Department urges this Committee to pass this measure unamended.

## L E G I S L A T I V E

**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, HD-1

FIN 2/26

INTRODUCED BY: House Committee on Energy and Environmental Protection

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 \$20,000 shall be refundable.

EFFECTIVE DATE: 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.

A low-interest loan that can be repaid with energy savings would have a much more broad-based 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 2/25/08

# **HAWAII RENEWABLE ENERGY ALLIANCE**

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: [wsb@lava.net](mailto: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 HOUSE COMMITTEE ON FINANCE**

### **HB 3064 HD1, RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT**

February 26, 2008

Chair Oshiro, Vice-Chair Lee 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 HD1 is to allow a taxpayer with an adjusted gross income of \$20,000 or less to take 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 that don't have a "tax credit" appetite. However, we can't say for sure if the \$20,000 threshold is appropriate, e.g., perhaps it should be higher?

Thank you for this opportunity to testify.

Testimony before the  
House Committee on  
Finance

H. B. 3064 HD1 - Relating to Refundable Renewable Energy Tax Credit

Tuesday, February 26, 2008  
11:00 a.m., Conference Room 308  
Agenda #2

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

Chair Oshiro, Vice Chair Lee 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 HD1.

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 energy policy and support achieving established Renewable Energy Portfolio Standards.

Thank you for this opportunity to testify



TESTIMONY OF SUNEDISON, LLC IN REGARD TO HB3064 HD1  
RELATING TO A REFUNDABLE RENEWABLE ENERGY TAX CREDIT  
BEFORE THE HOUSE COMMITTEE ON FINANCE  
TUESDAY, FEBRUARY 26, 2008 AT 11:00AM

Chair Oshiro, Vice-Chair Lee and Members of the Committee.

SunEdison is a developer of large solar electric photovoltaic systems. We have seven offices in five states including an office in Hawaii. Our goal is to simplify the installation of solar electric resources so that the benefits of solar energy, particularly the reduction in oil-fired grid-supplied electricity, can be realized in Hawaii.

SunEdison supports HB3064 HD1. We believe that broadening the access to the tax credit will help diversify Hawaii's energy markets and reduce Hawaii's dependence on imported energy.

We also ask the Committee to modify the current legislation to allow for the transferring of the tax credit through inserting at the end of Section 1 "(h). The owner of a facility may transfer a tax credit for the facility in exchange for a cash payment equal to the present value of the tax credit." This provision will also help to increase solar energy in Hawaii thereby diversifying Hawaii energy markets and reducing Hawaii's dependence on imported energy.

Currently, the tax credit is transferable within a partnership. However, this is a complex and cumbersome process, and results in difficulties structuring effective projects. The end result is higher costs.

The State of Oregon has a simple pass-through/transfer provision (similar to the one requested above) that has been helpful in expanding their solar program. In this system a project owner may transfer a tax credit to a partner in return for a lump-sum cash payment (the net present value of the tax credit) upon completion of the project. This system allows non-profit organizations, schools, governmental agencies, tribes, other public entities and businesses with and without tax liability to use the tax credit by transferring their tax credit for an eligible project to a partner with a tax liability.<sup>1</sup>

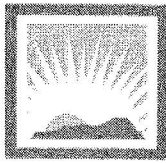
Making these credits easier to use will help Hawaii reduce its dependence on imported fuels, keep energy dollars at home and expand the use of local natural and human capital.

We would like to thank the Committee for the opportunity to submit testimony and for the Committee's consideration.

Rick Gilliam  
Managing Director, Western States Policy

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<sup>1</sup> [http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive\\_Code=OR03F&state=OR&CurrentPageID=1](http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=OR03F&state=OR&CurrentPageID=1)



**Hawaii Solar Energy Association**  
*Serving Hawaii Since 1977*

TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION  
IN REGARD TO H.B. 3064, H.D. 1  
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX  
BEFORE THE  
HOUSE COMMITTEE ON FINANCE  
ON  
TUESDAY, FEBRUARY 26, 2008

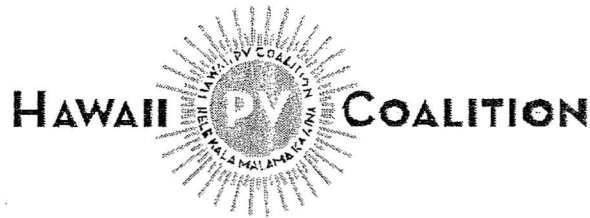
Chair Oshiro, Vice-Chair Lee and members of the committee, my name is Rick Reed and I represent the Hawaii Solar Energy Assn (HSEA). The HSEA is a professional trade association established in 1977, and affiliated with the Solar Energy Industries Association (SEIA) in Washington, D.C. HSEA represents 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. 1.

H.B. 3064, H.D. 1 amends HRS 235-12.5 to allow resident taxpayers whose taxable income is either exempt from taxation, or falls below \$20K AGI for singles and \$40K AGI for couples, to receive a cash refund rather than a 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 and retired families.

Thank you for the opportunity to testify.





# The Solar Alliance LATE

TESTIMONY OF THE SOLAR ALLIANCE AND THE HAWAII PV COALITION  
IN REGARD  
HB 3064 RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT  
BEFORE THE  
BEFORE THE HOUSE COMMITTEE ON FINANCE  
ON  
TUESDAY, FEBRUARY 26, 2008 AT 11:00AM

Chair Oshiro, Vice-Chair Lee and Members of the Committee.

The Hawaii PV Coalition is a non-profit organization that represents installers, suppliers, manufacturers and customers of solar electric systems in the state of Hawaii.<sup>1</sup> The Solar Alliance is a state-focused alliance of solar manufacturers, integrators and financiers dedicated to accelerating the promise of photovoltaic (PV) energy in the United States.<sup>2</sup> The Hawaii PV Coalition and the Solar Alliance supports HB 3064. We believe broadening the access to the tax credit will help diversify Hawaii's energy markets and reduce Hawaii's dependence on imported energy.

We also ask the Committee to modify the current legislation to allow for the transferring of the tax credit through inserting in Section 1 "The owner of a facility may transfer a tax credit for the facility in exchange for a cash payment equal to the present value of the tax credit." This provision will also help to increase solar energy in Hawaii thereby diversifying Hawaii energy markets and reduces Hawaii's dependence on imported energy.

Currently, the tax credit is transferable within a partnership. However, this is a much more complex and cumbersome process, and results in difficulties structuring effective projects. The end result is higher costs.

The State of Oregon has a simple pass-through/transfer provision (similar to the one requested above) that has been helpful in expanding their solar program. In this system a project owner may transfer a tax credit to a partner in return for a lump-sum cash payment (the net present value of the tax credit) upon completion of the project. This system allows non-profit organizations, schools, governmental agencies, tribes, other

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<sup>1</sup> The Hawaii PV Coalition, <http://www.hawaiipvcoalition.org/>.

<sup>2</sup> The Solar Alliance, <http://solaralliance.org/>

public entities and businesses with and without tax liability to use the tax credit by transferring their tax credit for an eligible project to a partner with a tax liability.<sup>3</sup>

Making these credits easier to use will help Hawaii create fixed cost of energy, reducing the dependence of imported fuels, and expand the use of local natural and human resources.

We would like to thank the Committee for the opportunity to submit testimony and for the Committee's consideration.

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<sup>3</sup>DSIRE Incentives by State Incentives in Oregon,  
[http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive\\_Code=OR03F&state=OR&CurrentPageID=1](http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=OR03F&state=OR&CurrentPageID=1)



# Sierra Club Hawai'i Chapter

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

# LATE

## HOUSE COMMITTEE ON FINANCE

February 26<sup>th</sup>, 2008, 11:00 A.M.

(Testimony is 1 page long)

### TESTIMONY IN SUPPORT OF HB 3064 HD1

Chair Oshiro and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 3064 HD1, 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 HD1 would enable those who lack a taxable income 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 as well.

Thank you for the opportunity to testify.

He 2922  
KIUC

<b>Company</b>	<b>Diesel use for Power Generation (gallons)</b>	<b>Additional 1 cent revenue impact</b>	<b>Total w/ Excise Tax</b>
HECO	5,100,000	\$51,000.00	\$53,125.17
KIUC	15,000,000	\$150,000.00	\$156,250.50
HELCO	17,200,000	\$172,000.00	\$179,167.24
MECO	72,000,000	\$720,000.00	\$750,002.40
<b>Total</b>	<b>109,300,000</b>	<b>\$1,093,000.00</b>	<b>\$1,138,545.31</b>