

**HB 3064 HD2**

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



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DIRECTOR OF TAXATION

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## SENATE COMMITTEE ON ENERGY & ENVIRONMENT

### TESTIMONY REGARDING HB 3064 HD 2 RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT

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

**DATE: MARCH 11, 2008**

**TIME: 2:45PM**

**ROOM: 414**

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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.

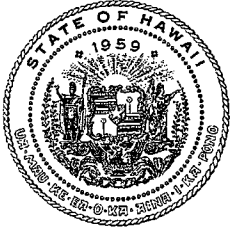
The House Committee on Finance amended the measure's effective date.

The House of Representatives passed this measure on third reading.

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.

Assuming the bill was effective immediately, annual revenue loss is estimated to be \$41,000, starting in fiscal year 2009.



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

LINDA LINGLE  
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Statement of  
**THEODORE E. LIU**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE**  
**ON**  
**ENERGY AND ENVIRONMENT**  
Tuesday, March 11, 2008  
2:45 p.m.  
State Capitol, Conference Room 414

in consideration of  
**HB3064HD2**  
**RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT.**

Chair Menor, Vice Chair Hooser, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB3064HD2, but strongly recommends adoption of HB3064HD1. This 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.

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. HB3064HD1, 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. HB3064HD1, 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.

# 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-2

INTRODUCED BY: House Committee on Finance

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: January 1, 2020

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 3/7/08

Testimony before the  
Senate Committee on  
Energy and Environment

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

Tuesday, March 11, 2008  
2:45 p.m., Conference Room 414

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

Chair Menor, Vice Chair Hooser and Members of the Committee:

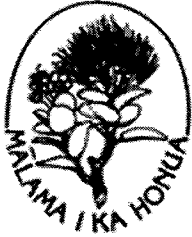
My name is Keith Block and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company, Inc. (HELCO).

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

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 the State's energy policy and supports achieving established Renewable Energy Portfolio Standards.

Thank you for this opportunity to testify.



# Sierra Club Hawai'i Chapter

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

## SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 11<sup>th</sup>, 2008, 2:45 P.M.

(Testimony is 1 page long)

### TESTIMONY IN SUPPORT OF HB 3064 HD2

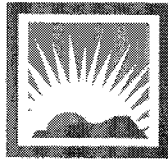
Chair Menor and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 3064 HD2, 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 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.



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

TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION  
IN REGARD TO H.B. 3064, HD2  
RELATING TO REDUNDABLE RENEWABLE ENERGY TAX CREDIT  
BEFORE THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
ON  
TUESDAY, MARCH 11, 2008

Chair Menor, Vice-Chair Hooser and members of the committee, my name is Ron Richmond and I represent the Hawaii Solar Energy Association (HSEA). HSEA supports the passage of HB 3064, HD2.

HB3064, HD2 amends HRS 235-12.5 to allow resident taxpayers that meet certain conditions to receive a cash refund rather than a credit against taxable income for installing a solar water heating system, PV system, or wind generator.

HSEA finds that the second condition is somewhat confusing. The proposed condition (lines 15 – 18, page 5) states:

The taxpayer's adjusted gross income is \$20,000 or less. For purposes of this Paragraph, a husband and wife filing a joint return shall each be treated as separate taxpayers.

We presume this means that the AGI threshold for this couple is \$40,000. If that is the correct reading it would be much clearer to simply say that.

Thank you for the opportunity to testify.



**testimony**

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**From:** Glass [sglass@hawaiiintel.net]  
**Sent:** Saturday, March 08, 2008 12:09 PM  
**To:** testimony  
**Subject:** Testimony Re: HB,HD2 3064

**Testimony Relating to HB, HD2 3064  
Relating to Refundable Renewable Energy Tax Credit**

COMMITTEE: ENE, EDT, WAM  
DATE: Tuesday, March 11, 2008  
TIME: 2:45 p.m.

**I fully support this Bill.** This will make renewable energy affordable and available to many more people, which will help to reduce our carbon footprint (the ultimate purpose of the tax credits), and will help those who will most benefit from a reduced electric bill.

Mahalo for your consideration.

Stephen Glass  
Kapaa, Kauai

**testimony**

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**From:** Chuck Prentiss [prentissc001@hawaii.rr.com]  
**Sent:** Monday, March 10, 2008 9:33 PM  
**To:** testimony  
**Subject:** Testimony HB3064 HD2

Senator Ron Menor, Chair ENE

Tuesday, March 11, 2008

Charles Prentiss, Testimony in favor of HB3064 HD2 Relating to Renewable Energy Tax Credit

Senior citizens who want to install alternative energy systems need this measure to pass because many do not now qualify for any tax credit incentive as do most non-seniors. Please pass this measure.