



**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
SENATE COMMITTEE
ON
ECONOMIC DEVELOPMENT AND TAXATION
Tuesday, February 12, 2008
9:25 a.m.
State Capitol, Conference Room 224

in consideration of
SB2764,SD1
RELATING TO ETHANOL FACILITY TAX CREDIT.

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

The Department of Business, Economic Development, and Tourism (DBEDT) appreciates the over-all concept of this bill as it includes initiatives supportive of our goals and objectives, but we are concerned about the cost implications generated by this proposal. We defer to the Department of Taxation on tax implications and administration.

SB2764,SD1 would repeal the cap on the annual amount of tax credits and the statewide capacity limit.

We agree that more flexibility in the size of a facility is desirable, but are concerned about completely repealing the cap on maximum aggregate annual credits payable; we concur with the change proposed on pages 7 and 8.

However, we do not support the change proposed on Page 6. We recommend that, beginning on page 6, line 5, the bill be revised to read:

If in any year, the annual amount of certified credits reaches \$12,000,000 in the aggregate, the department of business, economic development, and tourism shall immediately discontinue certifying credits and notify the department of taxation. In no instance shall the total amount of certified credits exceed \$12,000,000 per year.

This bill, if passed with our recommended changes, would allow both large and small facilities to receive the same tax credit for their first 15 million gallons per year of production capacity, without exposing the State treasury to an unknown level of liability.

Encouraging the local production of renewable fuels is consistent with Hawaii's energy objectives and supportive of Hawaii's renewable energy future.

Thank you for the opportunity to offer these comments.