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## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

### TESTIMONY REGARDING SB 2986 SD 2 RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDITS

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

**DATE: MARCH 13, 2008**

**TIME: 9:00AM**

**ROOM: 312**

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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 Senate Committee on Ways & Means 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 Committee on Ways & Mean's 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**

<b>Persons in Family or Household</b>	<b>48 Contiguous States and D.C.</b>	<b>Alaska</b>	<b>Hawaii</b>
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.

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

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35%. Therefore, the estimated lost in income tax is \$41,000 annually.



# Sierra Club Hawai'i Chapter

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## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

March 13<sup>th</sup>, 2008, 9:00 A.M.

(Testimony is 1 page long)

### TESTIMONY IN SUPPORT OF SB 2986 SD2

Chair Morita and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports SB 2986 SD2, 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).

Senate Bill 2986 SD2 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.

We respectfully ask that this Committee amend SB 2986 SD2 to contain a threshold income of \$30,000 or below to qualify for the renewable rebate.

Thank you for the opportunity to testify.

**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: 2182

**SB 2986 SD2  
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT**

House Committee on Energy and Environmental Protection

Public Hearing – March 13, 2008  
9:00 a.m., State Capitol, Conference Room 312

By

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

SB 2986 SD2 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. Our statement on this measure does not represent an institutional 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 nice 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.



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

TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION  
IN REGARD TO S.B. 2986, S.D. 2  
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT  
BEFORE THE  
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
ON  
THURSDAY, MARCH 13, 2008

Chair Morita, Vice-Chair Carroll and members of the committee, my name is Ron Richmond and I represent the Hawaii Solar Energy Association (HSEA). HSEA is a professional trade association established in 1977, and affiliated with the Solar Energy Industries Association (SEIA). HSEA represents manufacturers, distributors, contractors, financial entities and utility companies active in the solar energy industry. We strongly support the passage of S.B. 2986, S.D. 1.

S.B.2986, S.D. 1 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 13 – 16) states:

- (2) 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.