



**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

Thursday, March 27, 2008

4:00 PM

State Capitol, Conference Room 308

in consideration of

SB2986, SD2

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 the intent of SB2986, SD2, but strongly recommends adoption of SB2986, SD1. This Administration measure would 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. SB2986, SD1 would allow residential taxpayers to claim a refund for their investment in renewable energy technologies. Currently, 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. SB2986, SD1 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

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HOUSE COMMITTEE ON FINANCE

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

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

DATE: MARCH 27, 2008

TIME: 4:00PM

ROOM: 308

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

| 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.

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

Department of Taxation Testimony
SB 2986 SD 2
March 27, 2008
Page 3 of 3

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

**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: 2202

SB 2986 SD2
RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT

House Committee on Finance

Public Hearing – March 27, 2008
4:00 p.m., State Capitol, Conference Room 308

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.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable energy technology systems

BILL NUMBER: SB 2986, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

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 3/11/08

Testimony before the
House Committee on
Finance
Agenda # 3

S. B. 2986, SD2 - Relating to Refundable Renewable Energy Tax Credit

Thursday, March 27, 2008
4:00 p.m., Conference Room 308

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 SB 2986 SD2.**

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.

HAWAII RENEWABLE ENERGY ALLIANCE

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Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON FINANCE

SB 2986 SD2, RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT

March 27, 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 2986 SD2 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 with the following comments:

1. The bill provides an option to those consumers that don't have a "tax credit" appetite; and
2. We believe this will encourage additional private investment in wind and solar technologies, thus contributing to our RPS.

Thank you for this opportunity to testify.



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

Hawai'i Energy Policy Forum

Mr. Robbie Alm, HECO
Ms. Amy Asselbayer, 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
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Mr. Aaron Leong, Ofc of US Senator
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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. Carilyn 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

House Committee on Finance
Thursday, March 27, 2008
Agenda #3; 4:00 pm
Conference Room 308

**IN SUPPORT OF SB 2986, SD 2 - 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 SB 2986, SD 2 as it helps achieve the goal of Point One - expand renewable energy opportunities. The purpose of SB 2986, SD 2 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



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 REDUNDABLE RENEWABLE ENERGY TAX CREDIT
BEFORE THE
HOUSE COMMITTEE ON FINANCE
ON
THURSDAY, MARCH 27, 2008

Chair Oshiro, Vice-Chair Lee and members of the committee, my name is Richard Reed and I represent the Hawaii Solar Energy Assn. (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. 2.

S.B.2986 amends HRS 235-12.5 to allow resident taxpayers that meet specific AGI requirements 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 believes that this measure will assist both low income taxpayers and older citizens whose retirement income is not taxed in Hawaii.

Thank you for the opportunity to testify.