SB3149

Hawaii Transportation Association
Driving Hawaii's Economy

February 21, 2008

Thank you Chair Baker and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) which has 360 transportation related members throughout the state of Hawaii.

HTA opposes **PART II** of this bill as it relates to the tour vehicle surcharge.

We do support PART I of this bill to protect the highway special fund from transfers into the general fund, and the deposit of general excise taxes for business activities related to liquid fuel into the highway special fund.

HTA opposes an increase of the tour vehicle surcharge for the following reasons.

Cost is not easily recouped
Unlike other surcharges that can be passed on to the customer quickly, tour vehicle rates must be established by the Public Utilities Commission which conducts a rate study taking into consideration all revenues and expenses. This is a process that can take anywhere from six to twelve months.

Once the rate is established, tour vehicle contracts are then negotiated with customers which can take anywhere from three to six months. Once that is established, promotional literature needs to printed and then distributed, ideally three months prior to the new calendar year.

We are now faced with up to a 21 month lag period before the first customers begin to utilize the tour vehicles to generate revenue to pay for the tour vehicle surcharge. Although the concept that the visitors pay for the surcharge is EVENTUALLY true, we have to absorb the cost for a long period.

Revenue source has dwindled
The East bound visitor market has been the strongest user of tour vehicles. However, that market has been decreasing 10% EVERY YEAR since 2001. Even the West bound market has decreased 12 - 14%, and cruises up to a 15% reduction.

When your revenue keeps declining, you cannot sustain tax or fee increases.

Too many taxes
The tour vehicle industry already has many tax and fee expenses OVER AND BEYOND regular business taxes and fees. A list follows.

Federal, State, and County fuel taxes
Superfund tax
Environmental response tax

State vehicle weight tax
County vehicle weight tax

State vehicle registration, $20 per vehicle
County vehicle registration, $20 per vehicle

Loading zone permit, $25 per vehicle

Public Utilities Commission Fee, .0025 of revenue

Tour Vehicle Surcharge, $15 per month per vehicle with seating capacity of 8-25
$65 per month per vehicle with seating capacity of over 25

Airport Basic Annual Fee, $100
Percentage of monthly gross receipts (7% to Honolulu International Airport)
Baggage Pickup and Delivery (airport), $100 fee + 3.5% of gross receipts

State Harbor fees, $250 per vehicle with seating capacity of 8-25
$575 per vehicle with seating capacity of over 25

National Parks entry fees, ranges from $45 per vehicle to $200 per vehicle based on seating capacity and specific park.

The variety of current fees costs an 8-25 vehicle $1,340 and up to $2,370 per over 25 vehicle EXCLUDING fuel related taxes, and the PUC and Airport fees based on gross revenue. This is already a substantial burden and more increases against the tour vehicles are not warranted.

Thank you.

testimony

From: Lawson Teshima [lawson@kobay.com]
Sent: Wednesday, February 20, 2008 8:55 AM
To: testimony
Cc: 'Dale Evans'
Subject: Re Senate Bill 3149 SD2

Senate Bill 3149 SD2, PART I of the bill is good because it disallows the transfer of funds from the highway fund to the general fund - we like that.

However Part II contains language to increase the tour vehicle surcharge.
The tour vehicle industry is in dire straits already after year over year declines in the Asian market and more recent departure of the NCL cruises.
The market place for drivers is so tight that wages are spiraling upwards at double digit inflation rates and the cost of fuel has also been on a tear.
Last year's weight tax increase doubled our vehicle license fees and to top it off, this bill want to increase the amount we pay for the tour vehicle surcharge...give us a break.
Please modify the language to delete this portion of the bill.

Sincerely,

Lawson Teshima
Secretary-Treasurer
PHT, Inc. dba Polynesian Hospitality

From: Dale Evans [dale@charleystaxi.com]
Sent: Wednesday, February 20, 2008 9:21 AM
To: Lawson Teshima; testimony
Cc: Katsumi Tanaka; William F. Anonsen; Gareth Sakakida; Reg White; neil.takekawa@robertshawaii.com
Subject: Poison Pill in Senate Bill 3149 SD2

Lawson,
Thank you for letting me know about the "poison pill."
Did not read SD2 PART I - that might hve gone in the ED Taxation committee.
I'll check with Fukunaga.She never mentioned that when we met prior to hg.
Dale
= = = = = = =

> Senate Bill 3149 SD2, PART I of the bill is good because it disallows
> the transfer of funds from the highway fund to the general fund - we like that.
>
> However Part II contains language to increase the tour vehicle surcharge.
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> year declines in the Asian market and more recent departure of the NCL cruises.
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> upwards at double digit inflation rates and the cost of fuel has also been on a tear.
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> tour vehicle surcharge...give us a break. Please modify the language
> to delete this portion of the bill.
>
> Sincerely,
>
> Lawson Teshima
> Secretary-Treasurer
> PHT, Inc. dba Polynesian Hospitality
>

February 20, 2008

ROBERT'S HAWAII
680 IWILEI ROAD, SUITE 700
HONOLULU, HI 96817

TESTIMONY IN OPPOSITION TO SB 3149 SD2
SENATE COMMITTEE ON WAYS & MEANS
February 21, 2008, 9:30 a.m.
Hawaii State Capitol, Conference Room 211

RE: SB 3149 SD2 Relating to the Tour Vehicle Surcharge Tax Amendment.

Chair Baker, Vice-Chair Tsutsui, Committee Members:

My name is Neil Takekawa. I am president of Robert's Hawaii. On behalf of one of the organization's subsidiaries - Robert's Tours and Transportation, Inc. ("Company") - I am submitting testimony in opposition to SB 3149 SD2 which amends Section 251-2, subsection (b), Hawaii Revised Statutes by eliminating the present tour vehicle surcharge taxes of $65 for each tour vehicle in the over twenty-five passenger seat category and $15 for each tour vehicle in the eight to twenty-five passenger seat category. We presume that this amendment opens the door to future increases in both categories.

The year 2007 was a particularly difficult time for the Company due to a decline in revenues caused by the reduction in the numbers of

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both Eastbound and Westbound visitors. This situation will be further exacerbated in 2008 where the Japanese market is likely to reach its lowest point in nearly 20 years[1], and the departure of two of Norwegian Cruise Lines ships - the Pride of Hawaii and the Pride of Aloha by mid 2008[2]. The company provides transportation services to both of these markets.

Therefore this is not the time for a tax increase - although, from the Company's stand point, no time is the right time for tax increases - now is definitely not the time. The tour vehicle surcharge tax is a tax that cannot be passed on, and therefore must be borne by the Company[3]. Any tax increase added to the $11,000 to $13,000 per month[4] that the Company already pays, coupled with the reduction in revenue described above will place a tremendous financial strain on the Company and its 1400 employees and their families as it moves forward in 2008.

If the intent of the amendment to Section 251-2, subsection (b),

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1 The Hawaii Tourism Authority projects an 11 percent drop from the approximately 1.3 million or so arrivals expected to be recorded for 2007.

2 The Pride of Hawaii has already departed for Europe and the Pride of Aloha is set to leave for Asia this May.

3 The U-Drive companies are able to pass on their share of the Rental Motor Vehicle Surcharge Tax to its customers. Under the present structure – a monthly charge per vehicle - the tour transportation companies are not in a position to pass on the Tour Vehicle Surcharge Tax.

Hawaii Revised Statutes is to allow for future increases in the tour vehicle surcharge tax, we ask that SB 3149 SD2 be killed.

Thank you,

ROBERT'S HAWAII

Neil Takekawa

President

[4] For 2007 the Company paid $136,885 in tour vehicle surcharge taxes.

Cement and Concrete Products Industry of Hawaii
2153 N. King St. # 327 Honolulu, HI 96819 Telephone (808) 848-7100 Fax (808) 848-2626

February 20, 2008

To: Senator Rosalyn H. Baker, Chair and WAM Committee Members

From: Wayne Kawano, President CCPI

Subject: Written Testimony in Support of SB 3149, Relating to Highways

In behalf of the Cement and Concrete Products Industry of Hawaii (CCPI), we are submitting this written testimony in support of SB3149, relating to Highways.

CCPI is a non-profit trade organization, representing over 30 companies statewide. For over 43 years, CCPI has represented the local suppliers of cement, concrete, and masonry products. Our purpose is not only to promote but to also protect and advance the welfare and interests of the concrete products industry as may be deemed more satisfactorily performed by group action rather than individual action.

Through the years, we have supported and serviced the infrastructure projects of the Department of Transportation. It is vital that our infrastructures are properly maintained and rehabilitated on a continual basis...avoiding major repairs from neglect. SB3149 will provide for better long term planning of our maintenance programs, improve capabilities of asset management of our infrastructures, and provide an opportunity for innovative design and construction applications, i.e. concrete pavement overlays. The net result will mean more effective and efficient spending of our highway funds.

Thank you for your consideration of our written testimony in support of SB 3149.

Sincerely,

Wayne Kawano, CCPI

Hearing on SB 3149—Relating to Highways

TESTIMONY IN SUPPORT

The Hawaii Highway Users Alliance (HHUA) is a state conference of the American Highway Users Alliance (AHUA, commonly known as "the Highway Users.") HHUA's mission is to promote highway safety, congestion relief, quality growth and freedom of mobility, to ensure a strong and efficient transportation infrastructure and distribution system for Hawaii.

HHUA strongly supports SB 3149. This bill requires the remittance of general excise tax revenues from liquid fuel sales to the state highway fund. Repeals provisions authorizing transfers of revenues deemed excess out of the state highway fund.

The bankruptcy of the federal Highway Trust Fund (HTF) is predicted to occur in May 2008. The GETax on gasoline amounts to about 14 cents ($3.35x4.172%). Returning the GETax to the state HTF will help alleviate the shortfall caused by the federal HTF deficit as the federal gas tax is 18.4 cents. However, this is probably not enough since Hawaii is a donee state receiving almost double its contribution into the federal HTF.

Even if the national HTF continues to flow into Hawaii as before, HDOT's budget is under-funded to address Hawaii's accumulating infrastructure needs. Here is a partial list:

- Pavements are in mediocre to poor condition. Their condition is a safety risk to all motorists, an eyesore to visitors, and a detriment to efficient transportation and deliveries.
- Key highways are under continuous threat by rock falls and landslides. Many more hillside stabilization projects are needed.
- Many culvers and safety barriers are in bad shape.
- At least one third of signs and pavement markings are years past their recommended reflectivity age. They can't be seen at night and when it rains.
- Bridges need to be repaired or replaced with wider ones.
- Simple maintenance and component replacement is behind. Example: the swere cover on H-1 freeway broke and as a result several cars had damaged tires and suspensions. No one was hurt but this could have lead to a deadly accident.
- The Waianae coast is in need of a safety bypass road, but there are no funds for it.

People and businesses in Hawaii are already vulnerable to unacceptable levels of unsafe and inefficient operations, congestion, bottlenecks and potholes. Preserving the transportation infrastructure cost-effectively requires the Hawaii DOT to "apply the right fix, at the right time, at the right place." Our transportation infrastructure is in mediocre shape and our traffic operations management is practically non-existent.

HHUA urges you pass SB 3149 to close the loopholes that divert highway trust funds and user fees. Public confidence in transportation investments is lost as taxpayers wonder where all those monies have gone. The transportation funding process must be reliable and sufficient to ensure systematic and cost-effective programs for the preservation, maintenance, operations, expansion and innovation of highway and bridges.

The state's HTF is projected be in deficit by 2012. However, depending upon the severity of the federal deficit, the state deficit may occur sooner than 2012. How will the shortfall be covered?

Thank you for the opportunity to testify.

Panos D. Prevedouros, PhD
Professor of Civil Engineering
University of Hawaii at Manoa
President, Hawaii Highway Users Alliance

L E G I S L A T I V E

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126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Disposition of fuel tax revenues to highway fund; amend rates

BILL NUMBER: SB 3149, SD-2

INTRODUCED BY: Senate Committee on Economic Development and Taxation

BRIEF SUMMARY: Amends HRS section 237-31 to provide that the moneys realized from the manufacturing, production, wholesaling, and retailing of liquid fuel sold for use in motor vehicles or internal combustion engine equipment, excluding airplanes or small boats, shall be deposited into the state highway fund.

Amends HRS section 248-9 to repeal the provision allowing the director of transportation to transfer state highway fund revenues which are determined to exceed 135% of the requirements for the ensuing 12 months for the state highway fund.

Makes conforming amendments to HRS section 37-53.

Amends HRS section 251-2 to provide that the tour vehicle surcharge for vehicles in the over twenty-five passenger seat category shall be subject to a surcharge of $_____; and vehicles in the eight to twenty-five passenger seat category shall be subject to a surcharge of $_____.

The amendments made to HRS section 237-31 by this act shall not be repealed when that section is reenacted on June 30, 2008 pursuant to Act 304, SLH 2006.

EFFECTIVE DATE: July 1, 2040

STAFF COMMENTS: This measure is proposed to ensure that collections of the state highway fund remain in the fund and the fund is used for its intended purpose, that is to maintain the state highway system. The proposed measure also proposes to bolster the highway fund revenues by providing that general excise taxes realized from the manufacturing, production, wholesaling, and retailing of liquid fuel used in motor vehicles are deposited into the highway fund.

General excise tax revenues derived from the sale of gasoline are normally receipts of the state general fund. The legislature by Act 159, SLH 1981, realized the need to increase the revenue base of the state highway fund and provided that general excise tax revenues derived from the sale of gasoline were to be deposited into the highway fund until June 30, 1984. This transfer of the general excise tax revenues was further extended through 1987 by Act 163, SLH 1984. The legislature by Act 239, SLH 1985, extended the transfer to June 30, 1991. Rather than extending the transfer of general excise tax revenues to the highway fund, the 1991 legislature established a rental motor vehicle and tour vehicle surcharge as well as increases in the state fuel tax, the motor vehicle registration fees and weight tax.

While the original draft of this measure repealed the provision allowing the transfer of 0.3% of fuel tax revenues to the special land and development fund for maintenance of the trails and access program, which was enacted by Act 273, SLH 1993, this measure continues the transfer. While the department of land and natural resources (DLNR) requested that the transfer be continued since it provided funds for staff positions as well as to meet matching fund requirements of several federal funds, it would be preferable to appropriate funds rather siphoning highway fund revenues to ensure adequate funding.

The measure also repeals the provisions permitting the transfer of highway funds when the director of transportation determines that the available moneys in the fund will exceed 135% of the requirements for the ensuing 12 months for the state highway fund.

While the adoption of this measure would greatly enhance the viability of the state highway fund, it by no means is the only solution. It should be noted that while Act 258, SLH 2007, mandated that a special joint senate and house task force was to conduct a review of the financial requirements of the state highway fund, in its final report, it acknowledged that the future projections of highway fund revenues are insufficient; the task force report deferred to the department of transportation and the administration to formulate a plan to raise revenue for the highway fund. It is incredible that a task force convened to find a resolution to the ailing highway fund would abdicate any sort of responsibility for bringing forth a resolution to the problems facing the state highway fund. Similarly, a task force convened by the administration likewise walked away without a recommendation on how to solve the financing problems of the state highway fund.

In that light, then what is offered in this proposal comes close to a resolution of the problem and staves off the bankruptcy of the highway fund for at least the immediate future. Depositing the receipts of the general excise tax collected on the sale of highway fuels gives the highway fund some elasticity such that its resources grow along with the inflation affected costs for maintaining the state highway system. Further, by eliminating the threshold over which funds can be transferred from the highway fund lends some certainty that the highway fund cannot be raided as it was over the past decade. However, it would seem prudent that a specific prohibition be inserted to forever bar tapping into this special fund to underwrite other programs.

The proposed measure also replaces the tour vehicle surcharge for both categories of tour vehicles with an unspecified amount which may result in an increase in revenues to bolster the highway fund. Obviously keeping the burden on non-voting visitors is politically driven especially in the wake of public complaints about the high cost of motor fuel in Hawaii. But is it necessarily the most accountable approach or for that matter transparent? Is this bill doing nothing more than hiding, if not forestalling, the problems facing the state highway fund? Does it perpetuate the inefficiencies that are inherent in a program that is entirely special-fund financed where the majority of the beneficiaries are not being asked to shoulder their fair share of the cost of operating this program?

What would highway users say if, indeed, the fuel tax rates were increased to cover the forecasted shortfalls? Would they demand more accountability from highway officials for the repair and maintenance of the state roads? Would they ask more often why highway users are being asked to pay for so much when so little seems to be done to keep the roadways in good repair?

If, indeed, the highway fund is in dire straits, then the money that was taken to supplement the general fund in the 1990's should be returned. Further, small incremental increases in the fuel tax should be

SB 3149, SD-2 - Continued

undertaken to ease the burden of taxes that will be needed over time to keep the fund solvent. Consideration should be given to reestablishing the transfer of general excise taxes collected on the sale of fuel for highway use as this measure proposes as those taxes are paid by highway users. While the per day rental car surcharge and the tour vehicle surcharge may still be needed to balance the fund, it by no means should be the only source to be tapped as it merely postpones the day of reckoning. It should be remembered that unlike the other resources of the state highway fund, the fortunes of the motor vehicle surcharge are highly dependent on the utilization of rental cars and tour vehicles which, in turn, is dependent on the fortunes of the visitor industry. Thus, the motor vehicle rental surcharge and the tour vehicle surcharge are the least reliable of those revenue resources available to the state highway fund.

What this proposal represents is a partial avoidance on the part of both the legislature and the administration to address the issue of the fiscal crisis in the state highway fund by not increasing the traditional highway resources like the motor vehicle weight and fuel tax. Both think they can get away by deferring it to another administration or perhaps another legislature. The problem with that is that when, and if, the problem is addressed in the future the amount that will be needed in the way of a fuel tax rate increase, motor vehicle weight tax increase, or even the rental motor vehicle fee will be so substantial that it will be political suicidal to adopt those measures. And if then the problem is not solved, Hawaii will lose multiple opportunities to secure federal matching grants to repair and maintain the state highway system.

Finally, while it seems that neither the legislature nor the administration has the nerve to address the financing issue this year, taxpayers should know that any further delay in dealing with this problem will bring the promise of a much more painful solution.

Digested 2/20/08

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

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SENATE COMMITTEE ON WAYS & MEANS

TESTIMONY REGARDING DECISION MAKING AGENDA FOR FEBRUARY 21, 2008

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 21, 2008
TIME: 9:30AM
ROOM: 211

Contained in this testimony are the Department of Taxation's (Department) comments on the Senate Committee on Ways & Means' decision-making agenda for February 21, 2008. Because each measure is before the Committee for decision-making only, the Department's comments are in summary fashion for your convenience—

I. SB 2829, SD 1, RELATING TO TAXATION (SSTP)

This bill provides implementing legislation for the Streamlined Sales & Use Tax Agreement (SSUTA).

The Department takes **no position on the merits of the SSUTA** and stands on its prior testimony submitted to the Committee on Economic Development & Taxation. However, the Department **opposes the redirection** of general excise tax receipts from the general fund to a special fund. The Department points out the following comments:

Delayed Effective Date—The delayed effective date of the bill is appreciated, but the delay may not be long enough to allow these changes to be fully integrated into the computer systems of the Department. A longer delayed effective date would give time for practitioners and businesses to adjust to these changes. Given the challenges the Department would face integrating such large, wholesale changes into its operations, longer than two years may be more realistic of a time frame. The delayed effective date would also provide time to obtain approval from the National SSTP Governing Board to assure that Hawaii's amendments conform to the SSUTA. This is very important since Hawaii's general excise tax is not a sales tax.

Frequent Changes to the SSUTA Will Require Legislative Action—The legislature needs to be aware that the SSUTA is not a static document. It has undergone substantial and frequent changes since it was adopted on November 12, 2002. It has been amended 11 times.[1] Each change requires member States to possibly amend its law in order to remain in conformity with the SSUTA.

Revenue Impact—The bill would increase revenues by about $10 million annually. However, joining the SSUTA would entail start-up costs and annual recurring costs. The Department is presently re-examining SSTP implementation costs. The expansion of the GET exemption for blind, deaf, and disabled taxpayers would cost about $500,000 annually.

II. SB 2838, SD 1, RELATING TO TAXATION (ELECTRONIC REFUND DEPOSIT)

This legislation requires the Department to implement necessary procedures to allow e-filing taxpayers to request a direct deposit of refunds to up to three accounts. The Department has **concerns** with this legislation and provides the following comments—

Bill Must Allow Deposit Only Into Certain Accounts—The Department requests that the bill be amended to allow an electronic deposit into only those bank accounts that receive an electronic refund request at the federal level. The amendments made to this measure based upon comments by the Department rely heavily upon federal electronic tax information. If a taxpayer is allowed to insert different accounts than those provided to the IRS, this legislation could have a much greater impact on Department resources and could cost much more to implement.

Appropriation—An appropriation to finance the computer and form costs associated with this measure is necessary. At this time, the Department requests an appropriation in the amount of $89,000 to carry out the purposes of this proposal.

III. SB 2819, SD 1, RELATING TO INTRA-COUNTY FERRY SERVICE (Fuel Tax Exemption)

This legislation exempts sales of fuel to an intra-county ferry service from the fuel tax. The Department takes **no position** on this legislation and offers the following comment for technical correctness

Inappropriate Statutory Placement— The current mechanics of this bill are counterintuitive and it does not make sense to include an exemption section within the assessment section of the license tax. The Department still believes that an exemption for an intra-county ferry service should be included within the current exemption section provided at HRS § 243-7.

Revenue Estimate—The Department's updated revenue estimate provided to the Committee on Economic Development & Taxation was not incorporated into its committee report, which was cited as $13,500. This legislation will result in no impact to general fund. Highway fund annual revenue will be decreased by $21,200, starting FY2009.

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[1] November 19, 2003, November 16, 2004, April 16, 2005, October 1, 2005, January 13, 2006, April 18, 2006, August 30, 2006, December 14, 2006, June 23, 2007, September 20, 2007, and December 12, 2007

IV. SB 2816, SD 1, RELATING TO TAXATION (Foreign Trade Zone Exemption)

This legislation exempts fuel purchased from a Foreign Trade Zone by a common carrier that flies interisland from the general excise and use taxes.

The Department takes **no position** on this measure and offers one comment—

Definition of "Interstate Air Transportation"—For consistency throughout the proposal, this term should be defined as: **"Interstate air transportation" includes the transportation of passengers or property by aircraft between two points in the State."**

Revenue Impact— It is the Department's position that this legislation will result in a revenue loss of approximately:

- $5.1 million loss, FY2009.
- $5.3 million loss, FY2010.
- $5.5 million loss, FY2011.

110 million gallons of fuel was sold on Oahu in FY2007. From previous estimates, it was found that approximately 55% of this was of non-exempt fuel. GE revenue from fuel was calculated to be (110 million gallons) * (55% non-exempt) * ($2.00 / gallon) * (4.00% excise tax rate) = $4.8 million. This was inflated for the relevant fiscal years.

V. SB 3149, SD 2, RELATING TO HIGHWAYS (Requires GET Deposit)

This legislation, among other things, requires a deposit of general excise tax revenues generated from the manufacture and sale of fuels to be deposited to the highway fund. The Department has **strong concerns** with this legislation.

GET Redirect—The Department is always cautious about policy that redirects general excise tax revenue away from the general fund and into specific special funds. The Department is concerned because the general excise tax represents over one-half of the State's overall operating revenue stream. The Department strongly prefers that a direct appropriation be the means for funding this program so that the amount may be budgeted and prioritized just as any other program.

Administrative Issues—The Department also points out that tracking the specific fuel revenues as contemplated by this measure is likely unworkable. The Department does not track the gross proceeds of sales of fuel to the extent requested in this measure. The Department would need an appropriation for computer and form enhancements, as well as additional time, in order to capture the data requested in this measure.

Revenue Estimate—This legislation will result in the following general fund losses:

- **FY2009 (loss): $36.8 million**
- **FY2010 (loss): $78.0 million**

- **FY2011 (loss): $79.1 million**

The taxable gallonage from fiscal year 2007 was used to derive the excise tax receipts derived from the selling of these fuels. Note that gasoline was mostly subject to the GE exemption for alcohol-based fuels, and that oil and gas refining has a special GE exemption for multiple refineries in multi-step refining processes. The revenue impact of each fuel was calculated by:

(Gallons sold in FY07) * [(Avg retail price) * (Retail GE {4% or 0%}) + (Avg wholesale price) * (Wholesale GE)]. The impacts of the individual fuels were summed to get the total revenue impact.

For FY 2010 / FY 2011, the repeal of the GE exemption for ethanol-blended fuels was added to the total.

VI. SB 2455, SD 1, RELATING TO RENEWABLE ENERGY TECHNOLOGIES (Extends Credit to Hydrogen)

This legislation extends the current Renewable Energy Technologies Income Tax Credit to include hydrogen energy systems. The Department has **no additional comments** on this measure.

This bill's revenue estimate is estimated to be minimal. There is no marketed product known that would provide power via hydrogen for residential or commercial use. This leaves commercial R&D as the only probable user of the credit. However previous department rulings regarding this credit dictate that "all additions adding to an existing system shall be treated as one installation" (TIR 07-02). This minimizes the impact due to the $35,000 limit. With the further consideration that the device must be powered by a renewable energy source, the number of adopters would probably be very low, if any.

VII. SB 2623, RELATING TO RENEWABLE ENERGY TECHNOLOGIES (Extends Credit to Solar)

This legislation amends the current Renewable Energy Technologies Income Tax Credit, by adding a new definition for "solar electric energy systems." The Department **does not like this additional definition** and prefers that a definition in this credit focus on what is put into a machine rather than an approach based upon what the machine creates.

Based upon the Department's estimates, this legislation will not have an impact on the general fund.

VIII. SB 2764, SD 2, RELATING TO ETHANOL FACILITY TAX CREDIT (Removes Caps)

This legislation provides the Ethanol Facilities Tax Credit to large and small refineries for the first 15 million gallons of ethanol produced and eliminates certain caps. The Department of Taxation (Department) takes **no position** on this legislation.

This legislation will currently result in an indeterminate revenue estimate because the credit caps are blank. The amount of revenue loss is dependent upon the change in the annual credit limit. This is currently unspecified.

IX. SB 2986 SD 1, RELATING TO REFUNDABLE RENEWABLE ENERGY TAX CREDIT (Makes Renewable Energy Technologies Tax Credit Refundable)

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

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

X. SB 3215, SD 2, RELATING TO BIODIESEL (Biodiesel Production Incentives)

This legislation, among other things, provides tax incentives for biodiesel production facilities. The Department of Taxation (Department) provides **comments** on this legislation.

Income Tax Exemption—The Department notes that the income tax exemption is vague. It is unclear whether the tax exemption applies to 100% of income derived from the processing of oil seed produced in the State or to 100% of all income from any facility that processes any amount of oil seed produced in the State.

Revenue Impact—Due to the blanks, this bill will result in an indeterminate revenue loss.