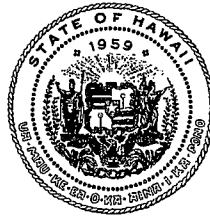
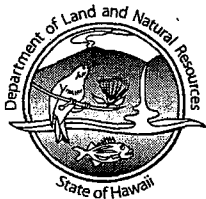


LINDA LINGLE  
GOVERNOR OF HAWAII



**STATE OF HAWAII**  
**DEPARTMENT OF LAND AND NATURAL RESOURCES**  
POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

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CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI  
FIRST DEPUTY

KEN C. KAWAHARA  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
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CONSERVATION AND COASTAL LANDS  
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KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**TESTIMONY OF THE CHAIRPERSON  
OF THE BOARD OF LAND AND NATURAL RESOURCES**

**On Senate Bill 3215, Senate Draft 2 – RELATING TO BIODIESEL**

**BEFORE THE SENATE COMMITTEE ON  
WAYS AND MEANS**

**February 21, 2008**

Senate Bill 3215, Senate Draft 2, provides various market stimulation incentives for the development of biodiesel, including making state agricultural lands available for biodiesel fuel crops; establishing a state biodiesel feedstock crop and biodiesel fuel purchasing program; and creating tax exemptions for biomass crushing facilities and lands used for biodiesel feedstock crops.

The Department of Land and Natural Resources (Department) recognizes the intent of this legislation but prefers that the Legislature consider and pass Senate Bill 3101, a similar measure proposed by the Administration that amends the definition of "renewable energy producer" to include growers and producers of organic materials used primarily for the production of biofuels or other fuels, so that they will be eligible for direct leases of public land.

Should the Committee be inclined to pass this measure, the Department recommends that page 3, lines 1 to 3 allowing the Board of Land and Natural Resources (Board) to adopt rules be deleted. Additional authorization to adopt rules is not necessary because Section 171-6(4), Hawaii Revised Statutes, already provides general rulemaking authority to the Board.

**To: Senate Sergeant-at-Arms—Please provide provide 20 copies.**

COMMITTEE ON WAYS AND MEANS

Sen. Rosalyn Baker, Chair

Sen. Shan Tsutsui, Vice Chair

DATE: Thursday, December 21, 2008

TIME: 9:30 am

PLACE: Conference Room 221

RE: SB 3215 Relating to Biodiesel

FROM: Bryan Collins, Pacific Biodiesel

Aloha Honorable Senators,

I am writing in support of SB 3215 which will provide much needed incentives for farmers to begin growing crops here in Hawaii to be utilized for truly local and sustainable biodiesel production. A similar bill, HB2210, was passed last year in Oregon in cooperation with an Oregon based company which Pacific Biodiesel partially owns and operates. In its' first year, The bill has successfully stimulated Oregon farmers to produce canola crops which are converted into biodiesel and used in all state owned vehicles within the city of Portland. Furthermore, the success of the program has stimulated additional farmers to plant canola as a feedstock for the coming year. By creating an initially guaranteed market the State of Oregon has successfully begun to develop a statewide network of biodiesel production which is grown, refined and consumed locally. We hope that this bill will generate even greater successes in Hawaii.

Our company has worked for over a decade to create a market for biodiesel in Hawaii and as a result, a demand for locally grown feedstocks now exists. Over the years, we have been approached by numerous Hawaiian farmers interested in growing biodiesel crops, but the uncertainty inherent in an untested agricultural market has proved to be too risky for them to proceed. The absence of a mature and diverse agricultural system combined with the uncertainty regarding crop yields and cultivation practices has prevented local farmers from planting crops for use in biodiesel production. This bill will create a small but secure scenario for local farmers to plant biodiesel crops and take the first steps towards acquiring the practical knowledge and experience needed in order to effectively create a sustainable biodiesel industry based on local agricultural production. We hope that this 'on the ground' experience and knowledge will be used in tandem with the excellent scientific research already being conducted within the state to rapidly generate a wealth of information which will encourage diverse, locally owned small farming operations throughout Hawaii.

We are committed to expanding our community based model to involve more local farmers and community ownership which will result in biodiesel grown, produced and consumed within the Hawaiian Islands in harmony with our other needs such as food and adequate water supplies. This model optimizes energy security and local economic benefits while minimizing the environmental impacts of the entire biodiesel production cycle. Additionally, the design scale of this model is more adaptable to the needs, capabilities and resources of the community in which a biodiesel plant will

operate.

In conclusion, this bill presents the state with an opportunity to actively increase the use and availability of renewable energy in Hawaii, and is a crucial first step towards increasing the involvement of local farmers in the renewable energy economy we all want for Hawaii

Mahalo,

Bryan Collins

**Pacific Biodiesel, Inc.**

**40 Hobron Avenue**

**Kahului, Hawaii 96732**

Phone (808) 877-3144

Fax (808) 877-5030

[www.biodiesel.com](http://www.biodiesel.com)



**Committee On Ways and Means**

**Hawaii State Senate  
February 21, 2008**

**Senate Bill 3215, SD2 (in support with suggested amendment)**

Chair Baker, Vice Chair Tsutsui and members of the Committee, my name is David Leonard and I am the chief operating officer of Imperium Renewables Hawaii LLC. Imperium Renewables is a leading producer of environmentally-friendly biodiesel fuel and operates the nation's largest biodiesel processing facility in Washington State.

In Hawaii, Imperium has been making exciting progress in building a major biodiesel production facility at Kalaeloa Barbers Point Harbor. This facility will make a significant contribution to Hawaii's renewable, sustainable and independent energy future, and we are committed to utilizing local feedstock when and where it is feasible. To that end, we have already invested substantial time, effort and funds in research on algae and plants that may be suitable for production in Hawaii.

Imperium Renewables supports this bill but requests an amendment to the last paragraph of Section 4. The current language excludes oil seed crushing facilities that are integrated with a biodiesel production facility from a tax exemption provided to other functions associated with biodiesel production. This distinction is not consistent with current market models and may limit the progress of developing indigenous feedstock. We recommend that the last phrase in section 4 ("and may not be integrated with a biodiesel production facility") be deleted.

Biodiesel is a clean-burning alternative fuel made from oils derived from farm crops, and can be used in any conventional diesel engine. It can be used in pure form (100% biodiesel) or in a "blended" form, in which it replaces a percentage of petroleum diesel. A U.S. Department of Energy study determined that biodiesel reduces carbon dioxide emissions by more than 50%, compared to petroleum diesel. Imperium's high quality fuel meets or exceeds ASTM D-6751 specifications.

Thank you for the opportunity to testify.

**testimony**

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**From:** randy ching [oahurandy@yahoo.com]  
**Sent:** Wednesday, February 20, 2008 11:16 AM  
**To:** testimony  
**Subject:** WAM: in support of SB 3215 - relating to biodiesel

Senate Ways and Means Committee  
Chair Rosalyn Baker, Vice Chair Shan Tsutsui  
Hearing on Thursday, 2/21  
9:30 a.m. in conference room 211

In support of SB 3215 - relating to biodiesel

Chair Baker, Vice Chair Tsutsui, and members of the committee,

I support SB 3215. Local production of crops that can be converted to biodiesel help local farmers and lessen our dependence on imported petroleum. And we keep some of the money we spend on energy in the local economy. That money will provide livelihoods for residents and support the local biodiesel industry.

Please pass SB 3215. It is a win-win for the State. Thank you for this opportunity to testify.

Sincerely,

Randy Ching  
Sierra Club, Oahu Group chair  
oahurandy@yahoo.com

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# **Testimony before the Senate Committee on**

## **Ways and Means**

### **S.B.3215 SD2 – Relating to Biodiesel**

**Thursday, February 21, 2008  
9:30 am, Conference Room 211**

**By Arthur Seki  
Director of Technology  
Hawaiian Electric Company, Inc.**

Chair Baker, Vice Chair Tsutsui, and Members of the Committee:

My name is Arthur Seki – I am the Director of Technology in the Energy Solutions & Technology Department at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO), hereby referred to collectively as the HECO Utilities.

We support S.B. 3215 SD2 that would provide incentives for biodiesel development in Hawaii.

As you may know, HECO Utilities are committed to exploring and using biofuels in its existing and planned generating units. The use of biofuels can reduce the State's dependence on imported oil and increase the amount of renewable energy from sustainable resources. This commitment by the HECO Utilities is demonstrated by the following initiatives:

- HECO's next power plant (100 MW) on Oahu (located at Campbell Industrial Park) will be 100% biofueled;
- MECO tested biodiesel in its diesel engines and combustion turbine at Maalaea power plant and will conduct further tests;

- HECO and MECO are partnering with BlueEarth Biofuels to build a 40 million gallon per year biodiesel production plant on Maui—a Public Trust Fund would be formed as part of this activity;
- HECO is developing test plans for a biofuel blend demonstration in a steam boiler generating unit on Oahu;
- HELCO will be testing biodiesel blends in a diesel engine on the Big Island;
- MECO will be testing glycerin (biodiesel by-product) in a Kahului steam boiler on Maui;
- HECO is providing seed funding to the Hawaii Agriculture Research Center (HARC) and the agriculture departments at the University of Hawaii's Manoa and Hilo campuses to conduct biofuel crop research; and
- HECO is examining micro-algae biofuel development that could use carbon dioxide from our power plant stacks.

In conclusion, HECO Utilities support S.B. 3215 SD2 as a way to stimulate the development of locally produced biofuels.

Thank you for the opportunity to present this testimony.

## L E G I S L A T I V E

**TAXBILLSERVICE**

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** INCOME, Exclusion for oil seed crushing facility for biodiesel

**BILL NUMBER:** SB 3215, SD-2

**INTRODUCED BY:** Senate Committee on Economic Development and Taxation

**STAFF COMMENTS:** Amends HRS section 235-7 to exclude from state income taxation \_\_\_\_% of the amounts derived from an oil seed crushing facility that processes oil seed produced or grown in the state for biodiesel production in the state.

Amends HRS section 235-7 (a) (13) to provide that \_\_\_\_% of the gain realized by a fee simple owner from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or the residential cooperative corporation of the leasehold units shall be excluded from state income taxation.

Makes other amendments relating to establishing incentives for the production of biodiesel in the state.

The amendments made to HRS chapter 237 by this act shall not be repealed when that section is reenacted on January 1, 2013, pursuant to Act 166, SLH 2007.

**EFFECTIVE DATE:** July 1, 2008

**STAFF COMMENTS:** This measure proposes various incentives to encourage the production of biodiesel in the state which include an income tax exclusion for an oil seed crushing facility which is used to produce the biomass necessary to produce biodiesel.

It should be noted that the use of the tax system to provide financial assistance in the form of an income tax exclusion is an inefficient use of the tax system. This exclusion amounts to nothing more than a subsidy as there is no obvious undue burden of taxes. If one project is blessed with a preferential tax treatment, why shouldn't the next proposal be just as serious a consideration? As such, project specific tax credit proposals violate the integrity of the tax system, setting a precedent with bad tax policy.

It should be remembered that giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. As such, it is an insult to all other taxpayers that they are not deserving of such tax preferences. Rather than singling out a particular area for tax relief, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

If lawmakers want to subsidize this specific project, then an appropriation of funds is far more accountable as taxpayers will then know who is to receive the subsidy, how much is being spent and then they can then judge whether or not this is an appropriate use of state taxpayer dollars.

Finally, as we are all learning the efficacy of using biomass fuels has now been brought into question



SB 3215, SD-2 - Continued

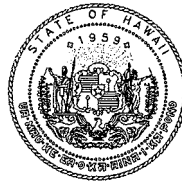
where some studies show that the road to the production and use of biomass could produce far more greenhouse gases than biomass purportedly saves. Granting tax breaks to technologies that have yet to be proven to be beneficial is like handing out good grades for homework poorly done.

This measure also provides that the income tax exclusion that was approved last session for the gain realized by a fee simple owner from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or the residential cooperative corporation of the leasehold units shall be 100% is being amended as the amount of the gain to be excluded, as proposed, is unspecified. It appears that this is proposed to facilitate further discussion on this measure.

It should be noted section 6 of the proposed measure provides that the real property tax provision in section HRS 141-9(c) shall apply to tax years beginning on January 1, 2009 and shall be repealed on December 31, 2018, this provision was deleted in this draft of the measure and is no longer necessary.

Digested 2/20/08

**LINDA LINGLE**  
Governor



State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512

**SANDRA LEE KUNIMOTO**  
Chairperson, Board of Agriculture

**DUANE K. OKAMOTO**  
Deputy to the Chairperson

**TESTIMONY OF SANDRA LEE KUNIMOTO  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
THURSDAY, FEBRUARY 21, 2008  
9:30 a.m.  
Room 211**

**SENATE BILL 3215, S.D. 2  
RELATING TO BIODIESEL**

Chairperson Baker, Vice-Chair Tsutsui and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 3151, S.D. 2. We offer the following comments and concerns. This bill has four incentives to be offered by the State to stimulate the development of biodiesel feedstock production and processing of biodiesel fuels in Hawaii:

1. The Department of Land and Natural Resources is to offer State-owned agricultural lands to biofuel feedstock growers by direct negotiation rather than public auction;
2. The State is to give preference to locally-grown and processed biodiesel blends to fuel its diesel powered vehicles;
3. The Department of Agriculture, through its energy feedstock program (Section 141-9, HRS) is to purchase locally-grown biodiesel feedstock, biodiesel fuel, and blended diesel from producers and processors and determine what to do with it; and
4. Excludes from taxable income the gains to owners of leasehold properties who sell for fee, and to processors for crushing oil seed.

We note that the exemption of biofuel feedstock production lands from county property taxes has been deleted. The text in Section 6 on page 13, lines 8-11 needs to be amended to reflect this deletion.

The Department of Agriculture (HDOA) has a strong concern with incentive number 3, the proposal for the State, through the HDOA's energy feedstock program, to purchase locally-produced biodiesel feedstock and fuel and determine its disposition. We believe this must be dealt with in the private sector - between processors, distributors, and retailers. Further, HDOA's energy feedstock program was created in statute last year; however, it was unfunded so there are no resources to perform any tasks described here.

We believe it would be better that these incentives be reconsidered upon the completion of the comprehensive renewable biofuels planning framework presently being developed by the Department of Business, Economic Development, and Tourism (DBEDT), pursuant to Act 253 that was passed by the 2007 Legislature. In accordance with Act 253, DBEDT is undertaking a bioenergy master plan that will include a Hawaii renewable biofuels program to manage the State's transition to energy self-sufficiency based in part on biofuels for power generation and transportation. The components of the plan include establishing strategic partnerships for the research, development, testing, and deployment of renewable biofuels technologies and production of biomass crops; evaluation of Hawaii's potential to rely on biofuels as a significant renewable energy resource; supporting biofuels demonstration projects, including infrastructure for production, storage, and transportation of biofuels; promoting Hawaii's renewable biofuels resources to potential partners and investors for development in Hawaii as well as for export purposes; and developing a plan or roadmap to implement commercially viable biofuels development.

We believe that biofuel and food production deserve to be treated as equally important so the same consideration the land board is authorized to give biofuels for nominal lease rents and by negotiation should also be afforded to food crops.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

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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**

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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.<sup>1</sup> 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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<sup>1</sup> 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:

$(\text{Gallons sold in FY07}) * [(\text{Avg retail price}) * (\text{Retail GE } \{4\% \text{ or } 0\% \}) + (\text{Avg wholesale price}) * (\text{Wholesale GE})]$ . 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.