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**Testimony before the Senate
Committee on Ways and Means
SCR 162, SD1 & SR 88, SD1 – Requesting the Department of Taxation to
Report the Fiscal Impact and Rate of Usage by Taxpayers of
Various Tax Credits and Exemptions
Friday, April 4, 2008
10:05 A.M., Conference Room 211
By Patsy Nanbu, Controller
Hawaiian Electric Company, Inc.**

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

My name is Patsy Nanbu and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company and Hawaii Electric Light Company, Inc. (HECO and subsidiaries) on SCR 162, SD1 and SR 88, SD1.

HECO and its subsidiaries support the purpose and intent of SCR 162, SD1. and SR 88, SD1

This measure requests the Department of Taxation (DOT) to examine the fiscal impact and taxpayer usage of the tax credits and exemptions set forth under Chapters 235, 237, 239 and 244D of the Hawaii Revised Statutes (HRS).

Periodic reviews of our tax laws are an integral part of maintaining a fair and efficient tax system. Over the years, a multitude of tax credits and exemptions have been enacted for a variety of purposes, including the prevention of double taxation and to encourage certain desired behavior.

In the case of Hawaiian Electric, the general excise tax exemption (HRS §237-23(1)) for revenues subject to the public service company tax prevents the double taxation of electric utility revenues. In fact, the public service company tax was specifically enacted to be in-lieu of the general excise tax. The existing exemption prevents utility revenues from being taxed twice, once at the 5.885% public service company tax rate and a second time at the 4% or 4.5% general excise tax rate. The justification for the utility exemption does not fade over time since double taxation is clearly not a desirable quality for any tax system.

However, the economic and social landscape of Hawaii is constantly changing, and it is possible that existing credits and exemptions may have outlived their intended purpose. This measure would provide the Legislature with much of the information necessary to properly evaluate the effectiveness of these credits and exemptions.

Again, HECO and its subsidiaries support the purpose and intent of SCR162, SD1 and SR 88, SD1.

Thank you for this opportunity to testify.