STAND. COM. REP. NO. 477

Honolulu, Hawaii
Feb 19, 2009

RE: H.B. No. 1491
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 1491 entitled:

"A BILL FOR AN ACT RELATING TO ETHANOL FACILITY TAX CREDIT,"

begs leave to report as follows:

The purpose of this bill is to adjust the aggregated $12,000,000 annual Ethanol Facility Tax Credit (Tax Credit) cap because of the declining revenues of the State due to a slumping economy by reducing the cap to $8,000,000 for a four-year period commencing January 1, 2009, through December 31, 2012.

The Department of Business, Economic Development, and Tourism and Pacific West Energy, LLC opposed this bill.

Act 289, Session Laws of Hawaii 2000, as subsequently amended, provided tax incentives to support and encourage the establishment of an ethanol industry in Hawaii. Due to financing, feedstock supply, siting, and other challenges, proposed ethanol projects have taken much longer to develop than originally projected and may, in fact, be at least two years away from production capability.

Although the $12,000,000 Tax Credit has not been claimed, this measure should not be construed as a diminution of the State's commitment to establishing an ethanol industry in Hawaii, but a temporary adjustment driven by a declining state economy.

Since a taxpayer cannot claim the Tax Credit until its ethanol production facility reaches 75 percent of its nameplate capacity, your Committee believes that a temporary period of an $8,000,000 Tax Credit will not discourage investors from pursuing the establishment of a local ethanol industry. Your Committee finds that the four-year period of the $8,000,000 Tax Credit should be reduced to encourage investors and demonstrate the State's commitment.

Accordingly, your Committee has amended this bill by:

(1) Reducing the four-year period of the $8,000,000 Tax Credit period to one and one-half years from July 1, 2011, to December 31, 2012; and

(2) Clarifying that the annual $8,000,000 Tax Credit is in the aggregate and prorated over a twelve-month year, with a $4,000,000 aggregated cap from July 1, 2011, to December 31, 2011, and $8,000,000 for the period from January 1, 2012, to December 31, 2012.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1491, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1491, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Energy & Environmental Protection,

Hermina Morita

HERMINA MORITA, Chair

HSCR 477

State of Hawaii
House of Representatives
The Twenty-fifth Legislature

Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.:	Committee Referral:	Date:
HB 1491	EEP, FIN	2.12.09 ~~2-10-09~~

❑ The committee is reconsidering its previous decision on the measure.

The recommendation is to: ❑ Pass, unamended (as is) ☑ Pass, with amendments (HD) ❑ Hold
❑ Pass short form bill with HD to recommit for future public hearing (recommit)

EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. MORITA, Hermina M. (C)	✓			
2. COFFMAN, Denny (VC)	✓			
3. CABANILLA, Rida	✓			
4. CHANG, Jerry L.	✓			
5. CHONG, Pono	✓			
6. HAR, Sharon E.	✓			
7. HERKES, Robert N.	✓			
8. ITO, Ken	✓			
9. LEE, Chris				✓
10. LUKE, Sylvia	✓			
11. SAGUM, Roland D., III	✓			
12. CHING, Corinne W.L.	✓			
13. THIELEN, Cynthia	✓			
TOTAL (13)	12	0	0	1

The recommendation is: ☑ Adopted ❑ Not Adopted
If joint referral, ______________ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: Denny Coffman

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO