



**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 ENERGY AND ENVIRONMENTAL PROTECTION

Tuesday, February 10, 2009

9:00 AM

State Capitol, Conference Room 325

in consideration of

HB 1491

RELATING TO ETHANOL FACILITY TAX CREDIT.

Bill No. 1491

Support Y N

Date 2/9/09

Time 2:56p

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Chair Morita, Vice Chair Coffman, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) opposes
HB 1491, which would reduce the ethanol facility incentive.

Some may be misled to view the proposed change as a means to remedy the current
budget situation. That interpretation would be incorrect. The cap in statute is the upper limit that
theoretically could be taken, if all 40 million gallons per year of capacity came on-line at the
same time. The actual amount that has been used is \$0, and will continue to be \$0, until fuel
production facilities have been built and are in production.

Since the ethanol production facilities are required to file notices in advance of facility
construction, and again upon commencement of ethanol production, and the tax credit is not
available until after the facility has produced at least 75% of its nameplate capacity (i.e. at least 9
months after start of production), there is significant advance notice before any funds are paid out

for this incentive. These provisions provide lead time for the State to plan for anticipated expenditures under this program:

" (h) Prior to construction of any new qualifying ethanol production facility, the taxpayer shall provide written notice of the taxpayer's intention to begin construction of a qualifying ethanol production facility. The information shall be provided to the department of taxation and the department of business, economic development, and tourism on forms provided by the department of business, economic development, and tourism, and shall include information on the taxpayer, facility location, facility production capacity, anticipated production start date, and the taxpayer's contact information. Notwithstanding any other law to the contrary, this information shall be available for public inspection and dissemination under chapter 92F.

(i) The taxpayer shall provide written notice to the director of taxation and the director of business, economic development, and tourism within thirty days following the start of production. The notice shall include the production start date and expected ethanol fuel production for the next twenty-four months. Notwithstanding any other law to the contrary, this information shall be available for public inspection and dissemination under chapter 92F."

To reduce the stated incentive at this date would put potential projects in jeopardy; signal to those in the investment community a lack of our commitment to the goals of diversification of energy supplies and use of renewable fuels; and weaken our progress to meet the energy objectives of the State.

Thank you for the opportunity to offer these comments.