HB 611, HD1

Proposed SD1

EDT

LATE

Hawaii Solar Energy Association

Serving Hawaii Since 1977

March 24, 2009	Senate	Mark Duda
Room 016	Committee on Economic Development & Technology	President
1:15 P.M	HB464 HB1 SD1	

Testimony in Opposition to Sections Dealing with the Renewable Energy Technologies Incoem Tax Credit (Section 235-12.5)

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

Hawaii Solar Energy Association (HSEA) members manufacture and install the majority of solar water heating systems, and install the majority of solar PV systems in the State of Hawaii. HSEA is comprised of more than 30 installers, distributors, manufacturers and financers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. The organization's primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.

HSEA makes the following comments regarding aspects of this measure that apply to the Renewable Energy Technologies Income Tax Credit (RETITC):

HSEA understands the intent of this measure and the need for accountability in fiscal policy. However, our organization is very concerned that the review associated with this measure will once again introduce policy-generated uncertainty into an industry that is beginning to take off and deliver substantial benefits to the State.

As an example, the uncertainty associated with the possibility of a feed-in tariff introduced by the Hawaii Clean Energy Initiative and PUC Docket 2008-0273 has put the market for commercial solar on hold in 2009, after the industry registered 500 percent growth in 2008. The federal government has recognized the problems of a 'stop – start' approach to incentivizing a new industry by extending its solar investment tax credit out to 2016. The state had earlier taken a similar position by not having a sunset date on the RETITC and HSEA would strongly prefer that this position be maintained.

In addition, earlier steps to evaluate the cost and effectiveness of the RETITC indicate that it wis a fiscally sound policy that delivered substantial economic benefits at no net cost to tax payers.

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That was the case even at much lower cost per barrel of oil that are currently in place, and far lower than those expected over the coming years. DBEDT's testimony from Feb. 9, 2009 on a similar bill to eliminate the RETITC noted the substantial net benefit to the state of the RETITC:

> "The renewable energy technologies income tax credit, Section 235-12.5, was evaluated and found to have a positive revenue impact, with the State realizing an internal rate of return on the tax credit (due to increased economic activity) of approximately 18.1%. The installation of renewable energy also improves Hawaii's energy security; diversifies our energy mix; provides jobs and reduces emissions."

If this measure is to proceed, HSEA strongly recommends that the net fiscal impact of the RETITC be evaluated. Every dollar of state funding that supports solar energy triggers four dollar of federal money and private capital. The result of this relationship is substantial construction sector activity. This result has been cited in the Committee Report on SB1247, a bill with similar intentions.

(1) Renewable energy technologies tax credit, Section 235-12.5, Hawaii Revised Statutes, in 2005, Department of Taxation reported revenue losses of $2,615,387, whereas in 2006, the department reported revenue losses of $6.18million. The cost and benefits of this credit has also been carefully evaluated in the *Report of the Energy Efficiency Policy Task Force, January* 2002. As such, your Committee believes that the level of data and analysis for this credit serves as a useful model of the type of fiscal and economic impacts review that is required for legislative oversight and review.

In summary, please note that solar is nearly a $200 million/year industry in Hawaii supporting 2,000 jobs at this point. It has, however, potential to be much larger but needs stability in order to do so. HSEA therefore, respectfully asks that any changes to the tax policy supporting solar be evaluated in this context and be conducted with extreme attention to the potentially disruptive marketplace effects that uncertainty has on this strong but still growing industry.

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SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Monday March 23, 2009 1:15 pm

HB 611 HD 1, Proposed SD1 RELATING TO TAXATION

Chair Fukunaga and Members of the Committee:

My name is Alan Gottlieb, and I am the President of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 130+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council strongly supports the provisions of HB 611 HD1, Proposed SD1 which would exempt Hawaii livestock from General Excise taxes on interisland shipping costs.

The law currently exempts agricultural commodities from G.E.T., and livestock are not included in the chapter's definition of an "agricultural commodity". The language in this bill would rectify this problem.

Thank you for giving me the opportunity to testify in favor of this very important issue.

LATE

Testimony for EDT 3/23/2009 1:15:00 PM HB611

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Barbara Ideta
Organization: Individual
Address: 700 Richards St. Apt. 1803 Honolulu, HI 96813
Phone: (808) 521-8201
E-mail: bideta@queensfcu.org
Submitted on: 3/23/2009

Comments:
A diagnosis 3 weeks ago will require me to take oral chemotherapy starting tomorrow. You can see why I strongly support this bill to include oral chemotherapy as a covered method.
This is reality for me.

Thank you.

APR 06 2009

Q.E.D. SYSTEMS, INC

The Engineering Professionals

Senator Carol Fukunaga, Chair
Committee on Economic Development and Technology
The Senate, Twenty-Fifth Legislature
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March 17, 2009

Dear Ms. Fukunaga:

This letter was written and submitted to the State Senate Committee on Economic Development and Technology on behalf of Q.E.D. Systems Hawaii, regarding House Bill 611.

Q.E.D. Systems, Inc. is opposed to the following section of House Bill 611…

§231- Tax credits and exemptions; evaluation; report.

(a) The department shall perform an evaluation of the tax credits or tax exemptions provided in title 14 and scheduled for repeal in section 3 of Act , Session Laws of Hawaii 2009.

(b) The department shall submit reports of the evaluations required by this section to the legislature no later than twenty days prior to the convening of:

(b) The following sections shall be repealed on December 31, 2012:

(10) Section 237-28.1 (general excise tax; exemption of certain shipbuilding and ship repair business);

From a straight-forward reading (non-legal interpretation) of this wording, the General Excise Tax (GET) exemption now afforded the Hawaii shipbuilding and ship repair industry would be repealed on Dec 31st, 2012 were this bill to make it through the Legislature and be signed into law.

If the GET was applied to ship repairs conducted in Hawaii, obviously, companies with local Hawaii offices will shoulder added costs. There is also concern that non-resident companies that perform work here without a Hawaii address will continue to avoid paying the State GET and, thereby, continue to underbid companies that do have local addresses.

Please understand that ship building and repair is an industry competing more and more within a global market. Hawaii costs need to continue to be kept as low as possible. That is difficult inside this island economy.

It is also worthy of note that the U.S. Navy is working to reduce ship repair costs for work conducted onboard U.S. Navy ships, homeported here in Pearl Harbor Hawaii. In that regard, the Navy instituted the Multi-Ship Multi-Option (MSMO) contracting concept to consolidate Pearl Harbor surface ship repairs under central management, with one primary goal of the MSMO concept being to save the Federal Government money. Presently, the Ship Repair Association of Hawaii, of which Q.E.D. is a member, and MSMO are working to convince the Navy to conduct significant Navy cruiser modernizations and upgrades (USS LAKE ERIE, USS CHOSIN and USS PORT ROYAL) here at Pearl Harbor, starting in 2011. If the Navy had to pay the GET for these projects, which will range from \$20M to \$30M each, the added cost makes an exceptionally persuasive cause for relocation of these planned overhauls to the West Coast of the U.S.

For smaller non-Federal, commercial projects, the GET would also add significant dollars to every waterfront customer's costs. For example, a \$1M repair project for a local cargo ship or barge would grow by \$50K+ added to the customer's bill; an amount that is sufficiently large to sway customer choices as to the location of such repairs.

Another consideration during the contemplation of this section of House Bill 611 is that Hawaii profits tax-wise from the ship building and repair industry in other off-setting ways. That is, employee wages are sufficient to support Hawaii families, who pay income taxes. Most Hawaii companies working onboard ships do other work in the economy besides ship repair. And, they all pay taxes related to that non-ship type work. Many of those companies would not be as productive on-island without support from their ship-related industrial activities. This is an important aspect of the Hawaii ship repair tax exemption;... It supports the growth of other beneficial and taxable Hawaii industries, such as facilities electrical work, structural steel work, electronics, etc.

When House Bill 611 is reviewed by your committee, please review these above listed considerations and strike the section that would otherwise repeal the GET exemption for the Hawaii ship building and repair industry.

Sincerely yours,

Gregg Patch

Gregg Patch
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