

SB 199



SENATE BILL 199: RELATING TO TAXATION

DATE: March 4, 2009
9:30 a.m., Conference Room 211

TO: Senate Committee on Ways and Means
The Honorable Donna Mercado Kim, Chair
The Honorable Shan Tsutsui, Vice Chair

FROM: Lisa H. Gibson
President
Hawaii Science & Technology Council

RE: Testimony in opposition to SB199

Aloha Chair, Vice Chair, and Members of the Committee:

The Hawaii Science & Technology Council (HISciTech) has supported and continues to support efforts to review tax credits/exemptions. HISciTech believes that any such review must include a thorough cost benefit analysis **before** action is taken to repeal or extend such credits/exemptions. A complete and detailed evaluation of tax credits/exemptions will provide the Legislature with the data it needs to make an objective and informed decision. HISciTech believes the process to provide a complete analysis and evaluation of credits/exemptions is contained in SB 1247 *which is co-sponsored by 19 senators*.

SB 199 further provides that effective July 1, 2009 enactment of future tax credits would require a 2/3 majority of the total membership in each house. We respectfully submit that such a high threshold may unduly restrict timely legislative action regarding the enactment of beneficial tax credits/exemptions. No such restriction is contained in SB1247.

HISciTech supports periodic and thorough evaluations of tax credits/exemptions. We believe the process and language set forth in SB1247 will provide the Legislature with the information it needs to review tax credits/exemptions and will not impose a difficult threshold to meet to enact appropriate and beneficial tax credits/exemptions. Accordingly, we prefer SB1247.

The Hawaii Science & Technology Council (HISciTech) is a 501(c)6 industry association with a 28-member board. HISciTech serves Hawaii companies engaged in ocean sciences, agricultural biotechnology, astronomy, defense aerospace, biotech/life sciences, information & communication technology, energy, environmental technologies, and creative media.

Thank you for the opportunity to testify on this bill.

Lisa H. Gibson
President

Room # 211 9:30 AM March 4, 2009

SB199 RELATING TO TAXATION

Chair Kim, Vice-Chair Tsutsui and Committee Members:

Introduction: My name is Tony Pace and I would like to offer a few comments on SB199 on behalf of Tawhiri Power LLC ("TPL"). TPL is an Independent Power Producer ("IPP") who as a Qualifying Facility sells electrical energy generated from wind to Hawaii Electric Light Company, Inc. ("HELCO") pursuant to a power purchase agreement ("PPA").

TPL *opposes* this bill as it proposes the repeal of the Renewable Energy Technologies Income Tax Credit ("RETITC"). We take no position on the merits of the other tax credits contained in the bill. The elimination of the RETITC would send a wrong message to the investment community nationally that Hawaii is not interested in out-of-state funding for renewable energy and the reduction of its dependency on fossil fuel imports. Hawaii's strong reliance on fossil fuels results in billions of dollars being exported out of state for the purchase of fossil fuels from foreign sources. This in turn jeopardizes Hawaii's energy security.

Thus, TPL urges the Chair and this Committee to hold SB199.

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

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Cully Judd
Inter Island Solar Supply

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

SB 199, RELATING TO TAXATION

March 4, 2009

Chair Kim, Vice-Chair Tsutsui and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 2942 is to sunset and repeal all tax credits for taxable years beginning after December 31, 2010.

HREA **strongly opposes** this bill as it proposes the repeal of the Renewable Energy Technologies Income Tax Credit ("RETITC"). We take no position on the merits of the other tax credits contained in the bill.

HREA strongly supports continuation of the RETITC for the following reasons:

- (1) The RETITC is a cost-effective incentive for encouraging private investment in wind and solar technologies in Hawaii. Over 100,000 solar hot water heaters are installed and operational in Hawaii, in large part due to the RETITC and its predecessor, the Energy Conservation Income Tax Credit. Currently, over 5,000 solar systems are being installed annually, and RETITC is also leveraging private investment in wind energy systems. Furthermore, energy generation and savings from solar and wind currently contribute to the utility's Renewable Portfolio Standard, which is likely to be increased this year in order to meet the goals of the Hawaii Clean Energy Initiative;
- (2) The RETITC help protect our environment by reducing our use of imported fossil energy and greenhouse gas emissions; and
- (3) It has been shown after years of analysis and discussion (Energy Efficiency Policy Task Force and supporting analysis to the Task Force from economist Dr. Tom Loudat) that the RETITC **stimulates new economic benefits**, including creation and sustenance of new jobs, and net return of state revenues over time.

In short, HREA recommends continuation of the RETITC as it is replete with energy, environmental and economic benefits. If the Committee intends to pass out this bill, please **remove** the repeal of HRS §235-12.5 from the bill.

Thank you for this opportunity to testify.

HAWAII RENEWABLE ENERGY ALLIANCE

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LINDA LINGLE
Governor



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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
WEDNESDAY, MARCH 4, 2009
9:30 A.M.
ROOM 211**

**SENATE BILL NO. 199
RELATING TO TAXATION**

Chairperson Kim and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 199, which proposes to repeal various income tax credits and deductions. While we are sensitive to the economic situation facing the State and recognize the merits of the bill, we are opposed to the repeal of Section 235-110.93, Hawaii Revised Statutes.

The repeal of this section would effectively eliminate the most important of all of the incentives created in the 2008 session to start the process to designate and protect important agricultural lands (IAL) as mandated by the State constitution. It has been 30 years since Article XI; section 3 was added to the constitution. During that period, thousands of prime agricultural lands were lost to development. Now, more than ever, in these uncertain times, we need to ensure that the state will have a minimum level of food self-sufficiency which requires the utilization of our most productive lands.

The incentives are working. Within six months of the passage of the incentives, a landowner has initiated the process to designate thousands of acres as IAL. In both the short and long-term, protecting and using our important agricultural lands will contribute to our economic recovery and growth. Using our important agricultural lands to grow food for local and visitor consumption rather than rely on imports can make a

significant impact on our economy. It has been estimated that using our agricultural lands to replace just 10% of the food we import could generate an economy-wide impact of \$188 million in sales, \$47 million in earnings, \$6 million in state tax revenues, and more than 2,300 jobs. Please do not stop 30 years of effort to protect Hawaii's agricultural lands and jeopardize the State's future ability to feed its people.



To: Committee On Ways and Means

**Attn: Chair Senator Mercado Kim
Vice Chair Senator Shan Tsutsui**

From: Sopogy Inc.

Date: March 2, 2009

Subject: Opposition of SB 199 – Related to Taxation

Hearing: Wednesday, March 4, 2009 9:30 am

State Capitol, Conference Room 211

Chair Mercado Kim, Vice Chair Tsutsui and Members of the Committee: Sopogy is a solar power technology company based in Hawaii specializing in the research and development of various MicroCSP™ solar technologies that bring the economics of large solar energy systems to the commercial, industrial, and utility sectors. Sopogy also hopes to leverage the innovative MicroCSP™ intellectual property and technologies it develops by commercializing its MicroCSP™ products for sale in both domestic and international markets, which sales and activities will generate additional revenues for and employment in the State of Hawaii.

Sopogy opposes SB 199 which repeals Renewable Energy, High Technology Business Investment Tax Credit, Tax Credit for Research Activities and others. It is evident that tax credits foster the continuing development of renewable energy research and development, intellectual property creation, job growth and projects within and without the State of Hawaii.

In addition, a reduction or repeal of existing tax credits at this stage will not only impact the momentum in the renewable energy technology area, but for companies who raised capital in reliance upon tax incentives, it could result in a detrimental effect on the ability to raise future investment capital.

Therefore, Sopogy supports the continuance of the existing tax credits and adoption of renewable energy and energy efficiency measures that lessen the state's dependence on oil, reduce greenhouse gas emissions, and provide energy price stability to Hawaii's consumers.

Sincerely,

Darren T. Kimura
President and CEO





INTER-ISLAND SOLAR SUPPLY

Serving Hawaii and the Pacific Islands Since 1975

761 AHUA STREET, HONOLULU, HAWAII 96819 Tel: (808)523-0711 Fax: (808)536-5586

Total Transmittal: 2 Pages

Aloha Sergeant-At-Arms:

Please find attached the testimony of Inter-Island Solar Supply in regard to:

Bill No: S.B. 199

Hearing Date: Wednesday, March 4, 2009 at 9:30 a.m.

Committee: Ways & Means

Hearing Room: 211

Mahalo for your help. Please give me a call if you have any questions.

**Rick Reed
President**



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TESTIMONY OF INTER-ISLAND SOLAR SUPPLY
IN REGARD TO S.B. 199, RELATING TO TAXATION
BEFORE THE SENATE COMMITTEE ON WAYS & MEANS
ON
WEDNESDAY, MARCH 4, 2009

Chair Kim, Vice-Chair Tsutsui and members of the committee, my name is Cully Judd and I represent Inter-Island Solar Supply, a wholesale distributor of renewable energy systems and components established in 1975, and presently doing business on Oahu, Maui, and the Big Island.

Inter-Island strongly opposes S.B. 199, in particular its application to Hawaii Revised Statutes §235-12.5, the renewable energy technologies income tax credit.

HRS 235-12.5 has helped make Hawaii the national leader in the installation of solar water heating systems. In 2008 over 8,400 were installed in Hawaii. This statute also provides a critical incentive and buying signal for ratepayers and businesses seeking to purchase photovoltaic solar electric systems in order to minimize their electric bills.

The rapid deployment of all market ready solar energy systems remains a central State of Hawaii energy policy goal. Support for renewables is an essential tenet of the much publicized State of Hawaii Clean Energy Initiative (HCEI). Simply put, Hawaii will not make significant progress in reducing its dependence on volatile, expensive, and polluting fossil fuels without consistent legislative and regulatory support. Renewables are Hawaii's energy future. The elimination or abridgement of the renewable energy tax credits will be an immediate disaster for the HCEI, electric utility renewable generation and demand-side management programs, ratepayers seeking relief from high energy prices, and the general economy (the renewable energy industry remains one of the few economic sectors experiencing job growth and expansion in Hawaii).

Independent analysis has shown that HRS 235-12.5 provides **positive fiscal and economic benefits** to the State of Hawaii.¹ The elimination or abridgement of this statute will have an immediate adverse impact on general fund revenues, job growth, capital formation and business expansion. This is a recipe for disaster and one the State of Hawaii can ill afford now or in the future.

I urge this committee to hold this bill. Thank you for the opportunity to testify.

¹ Report of the Energy-Efficiency Policy Task Force, January 2002, DBEDT. It is important to note that the positive fiscal and economic benefits of these credits to the State of Hawaii were calculated using baseline crude oil prices under \$30/bbl.