SB 719

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEES ON ENERGY AND ENVIRONMENT AND TRANSPORTATION, INTERNATIONAL & INTERGOVERNMENTAL AFFAIRS TESTIMONY REGARDING SB 719 RELATING TO TRANSPORTATION ENERGY

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 12, 2009
TIME: 2:50PM
ROOM: 225

This bill provides a general excise tax (GET) surcharge on the sale of heavy vehicles and provides an exemption for the purchase of clean fuel vehicles.

The Department of Taxation (Department) **supports the intent** of this measure; however **prefers SB 872**.

SUPPORT FOR ALTERNATIVE ENERGY—The Department strongly supports the encouragement and implementation of alternative energy systems in Hawaii in order to lessen the State's dependence on fossil fuels. As fossil fuel and petroleum prices become more volatile, encouraging Hawaii residents to use electric or alternative fuel vehicles could make the State less reliant on fossil fuel.

PREFERENCE FOR ADMINISTRATION'S BILL—The Department prefers the tax incentives contained in SB 872 as the policy initiative to assist with the comprehensive transformation to an alternative energy infrastructure, which includes a general excise tax exemption for the sale or lease of alternative fuel vehicles, an income tax credit for facilities using biofuels, a rental motor vehicle surcharge tax exemption for alternative fuel vehicles, an income tax credit for electric vehicle charging infrastructure acquisition and installation, and an income tax credit for alternative fuel vehicle refueling infrastructure acquisition and installation. The Administration's measure has been factored into the biennium budget and the financial plan. Just as important, the Department has had the opportunity to comment on the technical tax aspects of SB 872.

CHOOSE A COMMON STANDARD—The Department suggests that the committee consider reviewing what Congress has done in order to incentivize alternatively fueled vehicles and use that standard as the means for determining whether a vehicle will qualify as a clean fuel vehicle under this bill.

OPPOSITION TO THE SURCHARGE—The Department understands the reasoning for the additional surcharge in this legislation. However, the Department opposes tax increases where the revenue derived from that tax increase is deposited into a special fund. The Department opposes the depositing of the tax into a special fund because the tax increase does not assist in closing the general fund budget gap.

Creation of new special funds will not help with this year's budget constraints. Regardless of the merits of the special fund proposed in this legislation, the Department cannot support a tax increase of this kind to be deposited into a special fund. Any tax increase this session must be deposited to the benefit of the general fund.

COMPUTER SYSTEM & FORMS—Changes to the Department's computer system and forms will need to be made to implement the surcharge component of this legislation. Making changes to the Department's computer system may have an unknown revenue impact on the Department's budget, which has not been considered in this year's budget.

REVENUE IMPACT—This legislation will result in a revenue loss of about $0.6 million in FY10, $1.1 million in FY11, $1.4 in FY 12, and $1.6 in FY13, FY14, and FY15 for the GET exemption.

The special fund stands to gain an estimated $0.75 million per year for FY10 and after.

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
AND THE
SENATE COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND INTERGOVERNMENTAL AFFAIRS
Thursday, February 12, 2009
2:50 PM
State Capitol, Conference Room 225

in consideration of
SB 719
RELATING TO TAXATION.

Chair Gabbard, Vice Chair English, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) has concerns about SB 719, which would assess additional general excise taxes on sales of passenger cars or pickup trucks weighing over four thousand pounds, unless those vehicles were used for commercial and agricultural purposes, and allocate those funds to provide rebates for vehicles that operate on clean fuels. The bill would also exempt from general excise taxes three classes of passenger cars and pickup trucks: 1. those operated on "clean fuel;" 2. cars with fuel economy ratings of greater than 40 miles per gallon; and 3. trucks with fuel economy ratings of greater than 30 miles per gallon.

We defer to the Department of Budget and Finance on the establishment of the clean vehicle fund and to the Department of Taxation on tax implications and implementation of the additional taxes and exemptions.

Encouraging the purchase of energy efficient vehicles and vehicles capable of operating on alternative fuels is important to reducing the dependence of the transportation sector on petroleum.

Tying the incentives to the weight of the vehicle, or its fuel type, could be an alternative to the "fee-bate" approach that has run into difficulties elsewhere.

However, reference to the fuel economy of a vehicle may be preempted by the Federal Corporate Average Fuel Economy Standards law[1]; this should be taken into consideration in the final program design:

**TITLE 49, UNITED STATES CODE,
SUBTITLE VI. MOTOR VEHICLE AND DRIVER PROGRAMS**

**PART C. INFORMATION, STANDARDS, AND REQUIREMENTS
CHAPTERS 321, 323, 325, 327, 329, AND 331**

**ADMINISTERED BY THE
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION**

**U.S. Department of Transportation
National Highway Traffic Safety Administration
Office of Chief Counsel
June 2006**

Chapter 329. Automobile fuel economy

...

32919. Preemption

(a) **General.**--When an average fuel economy standard prescribed under this chapter is in effect, a State or a political subdivision of a State may not adopt or enforce a law or regulation related to fuel economy standards or average fuel economy standards for automobiles covered by an average fuel economy standard under this chapter.

(b) **Requirements must be identical.**--When a requirement under section 32908 of this title is in effect, a State or a political subdivision of a State may adopt or enforce a law or regulation on disclosure of fuel economy or fuel operating costs for an automobile covered by section 32908 only if the law or regulation is identical to that requirement."

Thank you for the opportunity to offer these comments.

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[1] http://www.nhtsa.dot.gov/nhtsa/Cfc_title49/ACTchap321-331.html#32919

SUBJECT: GENERAL EXCISE, Clean fuel motor vehicles

BILL NUMBER: SB 719

INTRODUCED BY: English and 2 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 237 to provide for the imposition of an additional general excise tax on passenger cars or pickup trucks weighing in excess of 3,500 pounds net weight, as follows:

Additional tax rate	Weight of passenger car or pickup truck
1%	over 4,000 to 5,000 lbs.
2%	over 5,000 to 10,000 lbs.

This tax shall be in addition to the general excise tax imposed on the sale of such passenger cars or pickup trucks. Passenger cars or pickup trucks used for commercial or agricultural purposes shall be exempt from this surcharge tax.

The additional tax collected by this measure shall be deposited into a clean vehicle fund that shall be used to provide rebates on purchases of vehicles that operate on clean fuel. Authorizes the director of finance to develop and implement a plan to distribute the proceeds from the clean vehicle fund by December 31, 2008. Defines "clean fuel," "passenger car" and "pickup truck" for purposes of the measure.

Adds a new section to HRS chapter 237 to establish a clean fuel special fund.

Adds a new paragraph to HRS section 237-24 to exempt from the general excise tax, amounts received from the sale of a passenger car or pickup truck that: (1) operates on "clean fuel"; and (2) obtains at least 40 miles per gallon for a passenger car or 30 miles per gallon for a pickup truck based on federal EPA combined ratings.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: This measure imposes an additional general excise tax on passenger cars or pickup trucks weighing over 4,000 pounds. It proposes that revenues derived from the additional tax shall be deposited into a clean vehicle fund and used to provide rebates on vehicles that operate on clean fuels. The measure also proposes to exempt from the general excise tax the purchase of passenger cars or pickup trucks that operate on clean fuels and are rated at 40 miles per gallon for passenger cars or 30 miles per gallon for pickup trucks.

While the measure attempts to encourage the purchase of clean fuel passenger cars and pickup trucks with a general excise tax exemption while discourage the purchase of passenger cars and pickup trucks weighing over 4,000 pounds, it should be noted that the use of the tax system to influence human behavior is inefficient. More importantly, the enactment of this measure would send a message to the public that government is attempting to influence/interfere with the purchase of certain kinds and types of motor vehicles. Further, was any consideration given to the businesses that sell vehicles that would be subject to the additional general excise when the choice of what they sell is beyond their control? This is certainly an anti-business gesture on the part of the legislature.

If the intent is to subsidize such vehicles in the name of energy conservation and environmental concerns, perhaps lawmakers should just appropriate the necessary sum of taxpayer dollars and directly subsidize the purchase of these vehicles. At least the potential revenue loss to the treasury could be limited to a predetermined amount on an annual or biennial basis. Lawmakers could also see what kind of taxpayers and what types of vehicles are claiming the subsidies.

Providing a permanent and blanket exemption for clean fuel vehicles jeopardizes the state general fund which relies on the general excise tax. Just like the exemption for alcohol base fuels, the blanket exemption would be granted without regard to the needs for those revenues and the impact it will have on the marketplace for vehicles. It also makes the tax regressive in that only those taxpayers who are capable of buying these types of vehicles or can make the switch financially will enjoy the exemption. For those taxpayers who can only afford to drive a ten-year-old clunker that may get poor mileage won't be able to access this tax incentive.

Digested 2/11/09

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
CHRISTOPHER G. PABLO
ANNE T. HORIUCHI
MIHOKO E. ITO

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880
info@goodsill.com • www.goodsill.com

INTERNET:
gslovin@goodsill.com
cpablo@goodsill.com
ahoriuchi @goodsill.com
meito@goodsill.com

MEMORANDUM

TO: Senator Mike Gabbard
Chair, Committee on Energy & Environment

Senator J. Kalani English
Chair, Committee on Transportation, International and Intergovernmental Affairs

Via e-mail: ENETestimony@Capitol.hawaii.gov

FROM: Anne Horiuchi

DATE: February 11, 2009

RE: **S.B. 719 – Relating to Taxation**
Hearing on Thursday, February 12, 2009 at 2:50 p.m., Room 225

Dear Chairs Gabbard and English, and Members of the Joint Committees:

I am Anne Horiuchi, testifying on behalf of the Alliance of Automobile Manufacturers ("Alliance"). The Alliance strongly opposes S.B. 719, which will impose a state vehicle excise tax upon certain passenger cars and pickup trucks, and use those additional taxes to provide rebates for the purchase of clean fuel vehicles from a Clean Vehicle Fund.

The Alliance is a trade association representing eleven car and light truck manufacturers, including: BMW, Chrysler, Ford, GM, Jaguar Land Rover, Mazda, Mitsubishi, Mercedes-Benz, Porsche, Toyota, and Volkswagen.

First, the Alliance notes that incentives for the purchase of vehicles that emit lower greenhouse gases will have a positive impact on the environment. For that reason, the Alliance supports the intent of that feature of S.B. 719.

However, the Alliance is opposed to an increase in state vehicle excise taxes on vehicles weighing more than four thousand pounds, up to and including ten thousand pounds, for the following reasons:

- *The measure is punitive and completely independent of actual GHG emissions:* applying a surcharge is a punitive measure that does very little to address greenhouse gas emissions.
    - The increased cost may put a burden upon those purchasers who must purchase such vehicles for work, or to accommodate a larger family who must travel together in one vehicle.
    - The surcharge does not account for how a vehicle is used by an individual. For example, the purchaser of a high efficiency vehicle may drive 50 miles a day, thereby contributing more to greenhouse gas emissions than a person who purchases a low efficiency vehicle, who only drives ten miles a day.
- *The bill does not list clean diesel as a "clean fuel"* even though clean diesel vehicles are typically 30% more fuel efficient and emit 25% less GHG emissions than their gasoline counterparts. In fact, in most cases clean diesel vehicles provide the same, or better, GHG benefit as a hybrid electric vehicles (HEVs) provide.
- *The measure may have unintended consequences:* imposing this surcharge may discourage the purchase of newer, more fuel-efficient and environmentally-friendly vehicles in favor of retaining older vehicles that may have higher greenhouse gas emissions.

For these reasons, the Alliance opposes S.B. 719. We respectfully request that this measure be held in committee.

Thank you very much for the opportunity to provide testimony on this measure.

From: Dave Rolf [drolf@hawaiidealer.com]
Sent: Wednesday, February 11, 2009 3:13 PM
To: ENETestimony
Subject: HADA testimony OPPOSED to SB719 Relating to Taxation

February 11, 2009

Testimony in OPPOSITION to SB 719
Relating to Taxation
Presented to the Senate Committee on Energy and Environmental Protection

At the hearing 2:50 p.m., Thursday, February 12, 2009
in Conference Room 225, Hawaii State Capitol

Submitted by David H. Rolf, for the Hawaii Automobile Dealers Association
Hawaii's Franchised New Car Dealers

Chair Gabbard members of the committee,

Our strong opposition to this bill is based on many reasons, but the underlying reason is the following:

The Hawaii economy, largely a consumer-based economy, is reeling.

1) car sales are off 50% from highs

2) home sales are off 50%

3) in some sectors, future incentive travel to Hawaii is off 50%

Those 50% declines are in major components of our primary economic drivers:

1) retail sales,
2) construction,
3) and tourism.

We can't afford a failure now to prioritize our efforts to help this economy recover.

Energy efficiencies and alternative fuels are the keys to a bright economic future for Hawaii and the nation, but any time devoted to any market-disruptive solutions, right now, takes us away from the clearly-defined larger economic problems facing this state and this nation and the workable solutions to alternative fuels that are being brought forward.

So-called feebate legislation, like SB 719 calls for an added cost to consumers with no meaningful benefit.

HADA joins policymakers in wanting to reduce our nation's dependence on foreign oil and accelerate the introduction of fuel-efficient technologies in Hawaii.

HADA representatives flew to Washington D.C. last year to work with Senator Daniel Inouye and his staff in helping to craft the national CAFE standards.

H.R. 6, the Energy Independence and Security Act of 2007 (the Energy Bill), signed into law in December of 2007, included at its centerpiece an unprecedented increase in the Corporate Average Fuel Economy (CAFE) standards--a dramatic 40 percent increase in fuel economy by 2020. These new national CAFE standard increases provide the opportunity to save 18 billion gallons of gasoline per year in 2020 compared to projected consumption levels. This is the equivalent of removing 30 million cars from the nation's roads.

H.R. 6 commits automakers to reducing CO2 emissions by ***30 percent by 2020. This is more than any other sector would be required to achieve in the same timeframe under any of the major climate change bills currently under consideration in Congress.*** With these reductions, automakers will lead all industries in setting a clear path to meeting the recent United Nations Bali Climate Change Summit's goal of a 50 percent reduction in CO2 emissions by 2050.

This landmark legislation presents one of the biggest challenges in the automobile industry's history and will require automakers to continue creating, developing, and introducing state-of-the-art fuel- efficient vehicles. And automakers are stepping up to the challenge, rolling up their sleeves and moving forward. This year, more than 25 hybrid models are available for purchase. And, according to researchers at JD Power and Associates, sales of clean diesels are expected to triple over the next decade, accounting for more than 10 percent of U.S. vehicle sales by 2015.

HADA co-sponsors, along with the Honolulu Advertiser, the First Hawaiian International Auto Show, March 26-29, 2009 at the Hawaii Convention Center.

Show-goers will see the strides automakers have achieved in energy efficiency and the automobile power plant. There will be more than 3 dozen 30+ MPG vehicles on the show floor and a "Green Test Track" for attendees to try out the latest in hybrid and fuel-efficient vehicles.

Further, HADA has worked to support the efforts toward the electrification of the car. Our board voted at its August meeting last year to support the "fast-tracking" of permitting on Lanai and other areas to facilitate rapid development of wind energy and "clean" electric power for vehicles.

We're doing all we can to facilitate rapid transition. We need viable businesses to help do this.

Right now, this proposed feebate legislation would harm businesses and consumers who need a range of vehicles. By raising the costs of many popular utility and work-related vehicles, a feebate tax will raise the cost of doing business for Hawaii small businesses, trades people, farmers and others who are dependent on light duty trucks for their livelihoods. Minivans, pick-ups and SUV's (all considered in the "light truck" category) are popular vehicles in Hawaii representing 57% of vehicle sales.

Kauai, with its many trade people, is particularly skewed toward truck purchases—with some 71% of purchases in the truck category. Hawaii consumers choose these vehicles for their utility, safety features, towing and seating capacity. Reduced sales of these vehicles will harm your local automobile dealers who are already facing a weak marketplace.

HADA encourages the committee to take a closer look at the Canadian experience with feebates, which has not been promising. In fact, the ecoAUTO Rebate Program in Canada has proven a costly bureaucratic nightmare and done little to change consumer purchasing decisions. As such, after only 2 years in existence, the Canadian government allowed the program to expire on December 31, 2008.

Lastly, feebate legislation does not address vehicle miles traveled (VMT). VMT is clearly the most important factor in fuel consumption. Because CO2 is a by-product of combustion, the more fuel that is burned, the more CO2 is produced. The largest trucks could easily produce less CO2 emissions than the most fuel-efficient car depending upon how many miles each is driven per year.

There are better ways than a "feebate" tax to encourage the purchase of the many fuel-efficient and advanced technology vehicles on sale today. Incentivizing the purchase and use of alternative fuel and advanced technology vehicles has proved to be an effective tool in driving consumers toward these "green" technologies. Other consumer incentives include allowing advanced technology vehicle owners to drive solo in HOV lanes, park for free at parking meters and at airports, obtain premium parking access in parking lots and garages and use express lines at DMV. These constitute an effective means in which Hawaii can continue to be proactive on the climate change issue as it relates to the transportation sector.

We urge you to explore these and other affirmative consumer incentives rather than implement a punitive tax. We respectfully request that SB719 be held.

Respectfully submitted,
The Hawaii Automobile Dealers Association

David H. Rolf

Hawaii Automobile Dealers Association -- 1100 Alakea St. Suite 2601, Hon. Hi. 96813
Tel: 808 593-0031 Cel: 808 223-6015 Fax: 808 593-0569

David H. Rolf, 1100 Alakea St. Suite 2601, Honolulu, Hawaii 96813 Tel: 808 593-0031

Sierra Club
Hawai'i Chapter
PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

LATE

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

February 12, 2009, 2:50 P.M.
(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 719

Chair Gabbard and members of the Committee:

The Sierra Club, Hawai`i Chapter, with 5500 dues paying members statewide, supports an amended form of SB 719, enacting a "Hummers pay for Hybrids" policy.

Hawai`i is the most dependent state in the nation on imported oil. Some 50 million barrels are imported annually, nearly 80% of which originate from foreign sources. In addition, over 805,000 tons of coal are imported into our state. These sources provide power for over 92% of Hawaii's electricity generation. The combustion of these resources also contributes over 23 million tons of climate changing greenhouse gas into our atmosphere annually.

Hawaii's energy security can be increased by making our fleets more efficient and diversifying our transportation fuel. This bill is a solid step in that direction. It creates a rebate for vehicles that use petroleum efficiently, if it is used at all (alternative fuel vehicles, fuel efficient vehicles such as hybrids and electric cars); and creates a fee for inefficient vehicles (heavy, fuel intensive vehicles that proportionally do more damage to the roads). The purpose of structuring the feebate this way is to create an incentive to consumers to purchase vehicles that will reduce Hawaii's dependence on foreign oil.

The feebate increases consumer accountability for their choices. Consumers who choose to drive inefficient vehicles are held accountable for their actions by paying a surcharge on their vehicles. This follows the "**polluter pays**" principle. This tax is used to pay a rebate for consumers who choose to drive the most efficient vehicles. The feebate has the additional virtue of being revenue neutral. Thus, Hummers pay for the Hybrids.

Enactment of a feebate program for Hawai'i is a smart, revenue-neutral approach to increasing the efficiency of vehicles on Hawaii's roadways. Please move this bill forward.

Thank you for this opportunity to provide testimony.

blue planet FOUNDATION

LATE

SENATE COMMITTEE ON ENERGY & ENVIRONMENT
SENATE COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND INTERGOVERNMENTAL AFFAIRS
February 12, 2008, 2:50 P.M.
Room 225

(Testimony is 4 pages long)

TESTIMONY IN STRONG SUPPORT OF SB 719, SUGGESTED AMENDMENTS

Chairs Gabbard and English and members of the committees:

The Blue Planet Foundation strongly supports the intent of Senate Bill 719, creating a "feebate," or "Hummers pay for Hybrids" policy. We offer some amendments starting on page 2 of this testimony.

Hawaii depends on imported petroleum for nearly 100 percent of its transportation energy needs, leaving the State extremely vulnerable to oil price shocks and supply disruption from terrorism or natural disaster. Hawaii's energy security can be increased by making our fleets more efficient and diversifying our transportation fuel.

Real world evidence demonstrates that increasing fuel prices are a weak incentive for consumers until the price of gasoline exceeds $4 per gallon as it did last summer (2008). Unfortunately, despite the highest fuel costs in the nation, Hawaii's consumers do not choose more efficient vehicles compared to the national average. Additional policy measures are needed to accelerate adoption of more efficient alternative fuel vehicles.

The Feebate Solution for Hawai`i

The most effective and transparent solution is a "feebate." A feebate program, in general, is a self-financing system of fees and rebates that are used to shift the costs of negative externalities onto those market actors responsible for the taking of the public goods in question. It is both a "fee" and a "rebate." The feebate contemplated in SB 719 is structured to provide a rebate to vehicles that use petroleum efficiently, if it is used at all (alternative fuel vehicles, fuel efficient vehicles such as hybrids and electric cars); and create a fee for inefficient vehicles (heavy, fuel intensive vehicles that proportionally do more damage to the roads). The purpose of structuring the feebate this way is to create an incentive to consumers to purchase vehicles that will reduce Hawaii's dependence on foreign oil.

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org
55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org

The feebate increases consumer accountability for their choices. Consumers who choose to drive inefficient vehicles are held accountable for their actions by paying a surcharge on their vehicles. ***They pay extra for the privilege of polluting.*** This tax is used to pay a rebate for consumers who choose to drive the most efficient vehicles. The feebate has the additional virtue of being revenue neutral. Thus, the Hummers pay for the Hybrids.

The proposed feebate would impose an additional percentage surcharge on passenger cars[1] and pickup trucks[2] ("vehicles") that weigh more than 4,000 pounds:

- 4,001 lbs – 5,000: 1% gross sale; and
- 5,001 lbs – 10,000 lbs: 2% gross sale.

In exchange, this feebate provides an excise tax exemption on "clean fuel" vehicles that achieve a certain fuel economy and that operate on clean fuels defined as:

- Natural gas;
- Liquefied natural gas;
- Liquefied petroleum gas;
- Hydrogen;
- Electricity or hybrid driven; or
- Any other fuel at least eighty-five per cent of which is one or more of the following: methanol, ethanol, any other alcohol, or ether.

The vehicles also must achieve a fuel economy standard of 40 miles per gallon to qualify for the exemption.

Suggested Amendments

While the Blue Planet Foundation strongly supports the intent of SB 719, we believe it could be amended to ensure its effectiveness, require revenue-neutrality, and reduce any unintended consequences.

1. **Feebate based on fossil fuel use.** First, SB 719 is based on the weight of the vehicle, fuel type, and efficiency. While these are reasonable metrics to use to gauge fossil fuel use, Blue Planet would support using another proxy of fossil fuel use: greenhouse gas emissions. This is the approach that California considered with Assembly Bill 493[3] in the 2007 – 2008 session. It is also the approach taken in Hawaii's HB 2102 from the 2008 legislative session. Greenhouse gas emissions are the direct result of fossil fuel combustion. Tailoring feebate legislation to target those impacts while supporting locally-

[1] HRS §286-2
[2] HRS §291-14(e)
[3] www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0451-0500/ab_493_bill_20070220_introduced.html

produced fuels would likely yield a better outcome than trying to determine fossil fuel use through weight, fuel-type, and fuel economy.

2. **Fuel type.** Blue Planet has concerns over the types of fuels allowed in SB 719—particularly those that are fossil fuel based (liquefied petroleum gas) or potential not sustainable (ethanol). Further, biodiesel—either from local agricultural crops or from waste cooking oils—is also not included in the list.

3. **Hybrids and electric vehicles.** Senate Bill 719 currently requires that hybrids or pure electric vehicles achieve a certain "miles per gallon" standard to qualify. It is unclear how a pure electric car—one with no internal combustion engine—could be measured in terms of "miles per gallon." Again, this could be resolved by simply adopting a "greenhouse gas emissions" proxy for fossil fuel consumption.

4. **Close loopholes for "commercial" vehicles.** Senate Bill 719 currently allows the excise tax exemption to apply to qualifying "clean fuel" vehicles that are used for commercial or agricultural purposes. While this may make sense to minimize the impact on vehicles used solely for work purposes, it may provide an unintended loophole. For example, SUVs used by doctors or lawyers probably should not qualify for the exemption. This exemption should be further refined to reduce unintended consequences.

5. **Low-income exemption needed.** Senate Bill 719 should be amended to provide for an exemption for specialty vehicles and vehicles purchased by low-income individuals.

6. **Emergency vehicles.** Police and emergency vehicles should also be exempt from the surcharge.

7. **Flexibility and revenue neutrality.** Senate Bill 719 should be amended to provide flexibility to the Finance Director to set and modify conditions of the feebate program to ensure it is effective and workable. Further, the Director should be tasked with ensuring that the policy is revenue neutral.

Enactment of a feebate program for Hawai'i is a smart, revenue-neutral approach to increasing the efficiency of vehicles on Hawaii's roadways. Blue Planet is happy to work with this committee to draft an amended bill to best accomplish its efficiency objective.

The following page of our testimony contains an editorial from the Los Angeles Times on the feebate measure that was under consideration by the California Assembly last year.

Thank you for the opportunity to testify.

Archive for Thursday, January 24, 2008

A healthy discount

California should enact legislation that would cut emissions without hurting taxpayers.

January 24, 2008 *in print edition A-22*

If California lawmakers could dramatically cut greenhouse gases without costing taxpayers a cent or hurting consumers or businesses, and also reduce reliance on imported oil, wouldn't they be crazy not to? The obvious answer to that question eludes the Assembly, where a cowardly performance by a group of Southern California members has stalled a common-sense bill.

AB 493 from Assemblyman Ira Ruskin (D-Redwood City) would create a "feebate" program for new-car purchases. Feebates are an old idea but one seldom given a chance to work because of opposition from business interests, in this case car dealers. They nudge consumers into making socially responsible choices – like buying cars that get better mileage and pollute less – by giving them rebates, which are funded by charging a fee to consumers who buy harmful products – like low-mileage, highly polluting vehicles.

The bill wouldn't harm people who need light-duty trucks – pickups, SUVs and minivans – as its critics claim, because it specifies that some of those vehicles must be available without fees. It doesn't hurt small businesses, because those with fewer than 25 employees are exempted. The bill, which calls for fees and rebates of up to $2,500 a vehicle, is carefully constructed to ensure that it doesn't cost any taxpayer money. It's even unlikely that it would cost car dealers, because while the fee would doubtless discourage purchases of Hummers, the rebate would entice customers to buy efficient cars they might not otherwise be able to afford.

California has mandated a 25% cut in greenhouse gases by 2020. With vehicles accounting for up to 40% of the state's global warming emissions, a big part of the cut must come from cars and trucks. Yet the state's ambitious effort to reduce tailpipe emissions by ordering manufacturers to produce cleaner cars has been blocked by the Environmental Protection Agency. That makes bills such as AB 493 all the more crucial; even if the EPA reverses its position, the feebate would complement the emissions program. The University of Michigan's Transportation Research Institute estimates that the bill would cut greenhouse gases from automobiles up to 27% by 2016.