

JAN 25 2010

A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to exempt renewable
2 energy projects of two megawatts or more from the general excise
3 tax for a period of five years to encourage the expedited
4 construction of these facilities.

5 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 "§237- Exemption of sale or lease of renewable energy
9 systems. (a) Beginning January 1, 2011, and expiring December
10 31, 2015, there shall be exempted from the general excise tax
11 imposed by this chapter the gross proceeds arising from the
12 sale, installation, servicing, and leasing of a renewable energy
13 system.

14 (b) As used in this section:

15 "Renewable energy system" means a system that produces at
16 least two megawatts of electrical power or 500,000 gallons of
17 liquid fuels from one or more sources of renewable energy, as
18 defined in section 269-91.

Report Title:

Renewable Energy Systems; Exemption From General Excise Tax

Description:

Exempts renewable energy systems of two megawatts or greater from the general excise tax on wholesale and retail transactions from January 1, 2011, to December 31, 2015.

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY.

PURPOSE: To exempt renewable energy systems of two megawatts or larger from the General Excise Tax from January 1, 2011 through December 31, 2015.

MEANS: Add a new section to chapter 237, Hawaii Revised Statutes.

JUSTIFICATION: The Hawaii Clean Energy Initiative (HCEI) establishes aggressive, statutory-based renewable energy portfolio standards. In order to meet the targets of the renewable portfolio standards, the State wants to provide incentives to entities that wish to build utility-scale renewable energy facilities.

One of the most direct ways that the State can provide such incentives is to provide general excise tax exemptions for the construction of renewable energy facilities that commit to build within a five year period of time.

Impact on the public: The public purpose of this measure is to encourage more rapid construction of utility-scale renewable energy facilities such that the State's dependence on imported petroleum declines in future years. Construction of these facilities during a period of economic recovery will also promote job-creation opportunities that might not otherwise occur.

Impact on the department and other agencies: The Department of Business, Economic Development, and Tourism will be responsible for determining whether renewable energy

projects qualify for the general excise tax exemption and work with the Department of Taxation to ensure the exemptions are properly applied.

GENERAL FUND: FY2011, \$6.3 million; FY2012, \$12.6 million; FY2013, \$8.6 million to spur development totaling \$344.1 million for a net positive tax revenue impact of \$13.8 million.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED-120 SI.

OTHER AFFECTED
AGENCIES: Department of Taxation.

EFFECTIVE DATE: Upon approval.