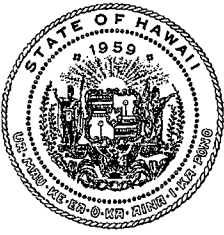


SB 2231



**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
**SENATE COMMITTEES ON
ENERGY AND ENVIRONMENT**
and
TRANSPORTATION, INTERNATIONAL, AND INTERGOVERNMENTAL AFFAIRS

Thursday, January 28, 2010
2:45 p.m.
State Capitol, Conference Room 225

in consideration of
SB 2231
RELATING TO ELECTRIC VEHICLES

Chairs Gabbard and English and Members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) supports SB 2231, which encourages the deployment of plug-in electric vehicles and infrastructure by exempting electric vehicles and charging stations from the general excise tax between July 1, 2010 and January 1, 2020.

This incentive is intended to attract electric vehicles, infrastructure investment, and jobs to Hawaii while developing a transportation system less dependent on imported fossil fuels.

Electric vehicles could provide several important benefits to Hawaii:

- Several of Hawaii's major potential renewable energy sources (wind, geothermal, wave, ocean thermal energy conversion) are available at night and during non-peak hours.

Electric vehicles, together with smart grid management, will enable this renewable

electricity, which otherwise might be curtailed (i.e. go to waste), to be used in the transportation sector.

- Vehicle use of otherwise unused renewable energy has the potential to create a significant demand-pull for renewable energy generation.
- Eventually, inclusion of large-scale grid-connected electric vehicles with grid-to-battery and battery-to-grid capabilities could provide distributed storage and enhance grid stability.
- Electric vehicles could attract positive attention to Hawaii as a "clean" and "green" destination, thus bolstering tourism, an extremely important economic sector in Hawaii.

Likewise, Hawaii is a natural fit for the early adoption of these vehicles:

- As an island economy, Hawaii residents drive short daily distances, easing the challenges of adoption of all-electric vehicles.
- Hawaii's well-defined boundaries enable efficient deployment and monitoring of vehicle charging infrastructure.
- Hawaii's mild climate enhances vehicle battery performance and longevity.
- Electric vehicles enhance, and are enhanced by, Hawaii's "clean and green" image.

Significant Federal funding is available to support the deployment of electric vehicles and infrastructure in the early years; however, other areas are also competing for these projects. As pointed out above, Hawaii has some natural ability to attract these projects; attracting additional attention, however, could be very helpful.

Bringing electric vehicles and investment in charging stations to Hawaii will generate jobs while helping Hawaii to move in its preferred direction, at an important time for our economy.

We encourage your support of this measure. Thank you for the opportunity to testify.

Testimony before the Senate Committees on
Energy and Environment
and
Transportation, International and
Intergovernmental Affairs

S.B. 2231, Relating to Electric Vehicles

Thursday, January 28, 2010
2:45 p.m., Conference Room 225

By Carlos Perez Loriga
Director
Customer Technology Applications Division
Hawaiian Electric Company, Inc.

Chairs Gabbard and English, and members of the Committees:

My name is Carlos Perez Loriga and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiary utilities, Maui Electric Company, Ltd., and Hawaii Electric Light Company, Inc.

S. B. 2231 exempts from the general excise tax the sale or lease of electric vehicles and electric vehicle charging systems that are purchased or placed in service after July 1, 2010, and before January 1, 2020.

While sensitive to the financial challenges that the State is currently facing, Hawaiian Electric Company strongly supports S.B. 2231, to promote the increased use of electric and plug-in hybrid electric automobiles. Increased consumer acceptance of these types of vehicles will aid in the reduction of greenhouse emissions and fossil fuel use and will help enable the Hawaii Clean Energy Initiative's goal of 70% clean, renewable energy by 2030.

Thank you for the opportunity to testify.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON
Thursday, January 28, 2010
2:45 PM
State Capitol, Conference Room 225

In consideration of
SB 2231 RELATING TO ELECTRIC VEHICLES.

Chairs Gabbard and English, and Members of the Senate Committees on Energy and Environment and Transportation, International and Intergovernmental Affairs.

The High Technology Development Corporation (HTDC) supports SB2231 because it encourages activities that contribute to the goals of the Hawaii Clean Energy Initiative.

Thank you for the opportunity to submit testimony in support.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempt electric vehicles and electric vehicle charging systems

BILL NUMBER: SB 2231

INTRODUCED BY: Gabbard, Espero, Hooser, and 4 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 237 to exempt from the general excise tax, the gross proceeds arising from the sale or lease of electric vehicles and electric vehicle charging systems purchased and placed in service after July 1, 2010 and before January 1, 2020.

Defines “electric vehicle” as a motor vehicle, including a plug-in hybrid: (1) which draws propulsion using a traction battery with at least four kilowatt hours of capacity; (2) which uses an off-board source of energy to recharge the battery; (3) the original use of which commences with the taxpayer; and (4) which is acquired for use or lease by the taxpayer and not for resale. Further defines “electric vehicle charge point” and “electric vehicle charging system” for purposes of the measure.

This act shall be repealed on January 1, 2020 and HRS section 237-1 shall be reenacted in the form in which it read on the day before the effective date of this act.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This measure proposes to encourage the deployment of electric vehicles and electric vehicle charging systems by exempting such vehicles and vehicle charging systems from the general excise tax. While it appears that this measure is proposed to encourage the use of electric vehicles and development of charging infrastructure, it is questionable whether a tax credit is necessary. While the trend is to move toward non-fossil fuel vehicles, such as electric vehicles and non-gasoline vehicles, such infrastructure would become necessary to recharge and refuel these vehicles so such development will occur regardless of the credit. While the measure exempts from the general excise tax the purchase of electric vehicles, the exemption is only applicable to an electric vehicle that “uses an off-board source of energy to recharge the battery.” By this definition the exemption does not include current hybrid vehicles that charge the battery as the vehicle is driven.

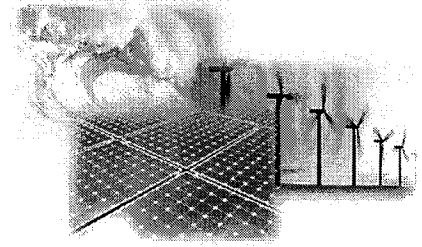
In addition, the adoption of this measure would merely result in a handout of state funds with out regard to a taxpayer’s need for tax relief, the proposed measure would result in fewer tax dollars that the state sorely needs at this point. On the other hand, perhaps all proposals suggesting tax expenditures, such as this proposal forwards, should be accompanied with a recommendation for an equal reduction in state spending to compensate for the lost revenues. It is incredulous that lawmakers would propose a further reduction in general fund tax collections like this while on the other hand entertain the possibility of raising taxes on all other taxpayers. There is certainly a disconnect with what is being proposed and the reality of the state’s fiscal crisis.

SB 2231 - Continued

Because the proposed incentives are nothing more than a subsidy of these vehicles or charging stations, the cost of the exemption steals from funds that could have been used for many other worthy programs. Such proposals reflect a lack of understanding of the gravity of the fiscal situation that the state is facing.

Finally, it should be remembered that while it may seem like this proposal is reducing the cost of such vehicles and facilities, the general excise tax is not a tax on the consumer but on the business for the privilege of doing business in the state. Thus, an exemption like this for only businesses that sell these types of products will allow these select businesses an exemption from the tax while those who sell similar vehicles or systems that may provide similar alternative fueling systems would not be entitled to the same tax treatment. Again, it should be noted that the tax system is not meant to be a mechanism to influence human behavior, but in the very least it should treat all taxpayers similarly situated in the same manner. This measure deviates from good tax policy.

Digested 1/27/10



**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION, INTERNATIONAL
AND INTERGOVERNMENTAL AFFAIRS**

January 28, 2010, 2:45 P.M.
Room 225

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 2231, PROPOSED AMENDMENT

Chairs Gabbard and English and members of the committees:

The Blue Planet Foundation supports Senate Bill 2231, a measure to provide a 10-year general excise tax exemption for electric vehicle charge points. Electric vehicles not only provide clean, quiet mobility solutions to Hawai'i residents and visitors, but they can provide on-grid electricity storage for intermittent renewable energy sources. Blue Planet believes that this measure should be expanded to also provide a \$1500 tax credit (or rebate) for the installation of new publicly-available electric vehicle charge spots.

Electric vehicles (EV) will play a large role in Hawaii's clean energy future. By using stored electrical energy, EVs can take advantage of intermittent solar, wind, and other clean energy resources. Most vehicles sit idle 22+ hours of the day, so they become de facto energy storage devices if their batteries are plugged into the grid when they are not in use. With smart grid infrastructure in place, EVs become an essential component to electricity load and clean energy resource balancing—in addition to providing clean mobility solutions for Hawai'i residents and visitors.

The availability of charging stations will be a key driver for EV use in Hawaii. Without widespread availability of EV charging infrastructure throughout the state, it is highly unlikely that there will be widespread adoption and use of EVs in Hawai'i. While this policy proposes to facilitate early development of both public and private EV charging infrastructure in Hawai'i by providing a GET exemption, Blue Planet believes it would be more effective to extend a \$1500 tax credit or rebate for new charge spots installed in Hawai'i.

Thank you for the opportunity to testify.

BEFORE THE

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair

**COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND
INTERGOVERNMENTAL AFFAIRS**

Senator J. Kalani English, Chair
Senator Mike Gabbard, Vice Chair

SB2231

RELATING TO ELECTIC VEHICLES

January 28, 2010, 2:45 pm
State Capitol, Room 225

Testimony of

BRIAN GOLDSTEIN

Better Place Hawaii
745 Fort St, Penthouse
Honolulu, HI 96815

Chairs Gabbard and English and Members Of The Committees On Energy And Environment and Committee On Transportation, International And Intergovernmental Affairs :

My name is Brian Goldstein of Better Place Hawaii. Better Place Hawaii coordinates with Hawaii utilities, automobile dealers, state and county governments and other stakeholders to deploy an electric vehicle charging network powered by renewable energy.

Better Place Hawaii **SUPPORTS** SB2231. Taxpayer incentives outlined in this measure provide consumers and businesses with tax incentives to purchase EVs for their home or business use as well as exemptions on the installation of EV charging infrastructure. By the year 2015 the DOE anticipates 10,000+ electric vehicles could be on Hawaii's roads and highways. As automakers throughout the world begin to refine, develop and produce electric vehicles for consumer use, it is imperative that Hawaii lead the efforts in transforming its transportation systems to support electric vehicles. With the State's goal of utilizing renewable sources for 70% of its energy by 2030, government action to further the use of electric vehicles is essential.

Electric vehicles are cleaner, quieter and more efficient than gasoline powered cars, and can reduce pollution, noise and particulate matter in the environment. Electric vehicles are "Zero Emission Vehicles." They don't have any tailpipe emissions to contribute to smog in urban areas. With about 1.1 million registered vehicles in Hawaii, the ultimate replacement from fossil fuel-based cars to electric vehicles can contribute significantly to the state's overall goal of energy independence for Hawaii.

Furthermore, today's internal combustion engines contribute very little towards the development of renewable energy sources. Because these cars draw their power from oil and gas, they offer minimal incentive for utility companies to invest in or develop solar, wind, or geothermal power plants. Alternatively, electric vehicles, with their powered grids and batteries, create an enormous new market for utilities. The power storage issues that hinder the growth of renewable energy can be alleviated as the EV infrastructure becomes a repository for excess electricity. As the EV network grows, the market for renewable energy can grow with it.

It is important to note that the purchase of electric vehicles is just one aspect of the electrification of transportation in Hawaii. To support electric vehicles, an integrated EV charging system must be in place. This would consist of the installation of EV charge spots in parking lots of fleet operators, subscribers' home garages, office parking garages, and privately- and government-owned parking lots available to the general public. It is imperative that sufficient number of EV charging stations be available to support this new mode of transportation that will be available in Hawaii and throughout the globe.

Thank you for the opportunity to testify in SUPPORT of SB2231. Please feel free to contact us if you have any questions.