

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 563, HD 1 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION
(OR DESIGNEE)

COMMITTEE: FIN

DATE: FEBRUARY 25, 2011

TIME: 12:30PM

POSITION: DEFER TO DBEDT; TECHNICAL COMMENTS

This measure prohibits claiming the ethanol facility tax credit until tax year 2014.

The Department of Taxation (Department) defers to DBEDT on the merits of this legislation.

Based on testimony in the previous committee, it is the Department of Taxation's understanding that currently no qualified ethanol production facilities exist in Hawaii. By delaying the ability of taxpayers to claim this credit until tax year 2014, it allows the legislature to remove this credit from budget consideration during the current, trying fiscal year while continuing to incentivize the eventual construction of an ethanol production facility in Hawaii.

The Department also notes that in its current form the credit is unworkable. The statute currently calculates the dollar amount of the credit based on a percentage of the gallons produced according to nameplate capacity. The credit needs to be a percentage of a monetary amount rather than a production amount in order to be calculable.

Because the credit is capped at \$12 million in each fiscal year, this bill is estimated to result in a potential revenue gain of up to \$12 million per year until after January 1, 2014.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Delay claims for ethanol facility tax credit

BILL NUMBER: HB 563, HD-1

INTRODUCED BY: House Committee on Energy and Environmental Protection

BRIEF SUMMARY: Postpones the claiming of the ethanol facility tax credit until January 1, 2014.

EFFECTIVE DATE: Tax years beginning after December 31, 2013

STAFF COMMENTS: The proposed measure would postpone the claiming of the ethanol facility tax credit until January 1, 2014. Inasmuch as it appears that the establishment of any ethanol production facility is only in the preliminary planning stages, and in order to claim the credit a facility must be in operation, the adoption of this measure may be unnecessary as it appears that no ethanol facility will be in operation before January 1, 2014.

Digested 2/24/11