SB 153

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday, February 1, 2011
3:30 PM
State Capitol, Conference Room 225

in consideration of
SB 153
RELATING TO RENEWABLE ENERGY.

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

The Department of Business, Economic Development, and Tourism (DBEDT) supports SB 153 in the increase of the renewable tax credit for all wind powered energy systems from $1,500 to $5,000 for single family residential systems and from $250 to $350 per unit system for multi-family residential properties.

DBEDT believes that increasing the tax incentive to residential home owners in the installation of energy saving measures is in the best overall interest of the State of Hawaii in reducing our dependence on fossil fuels.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

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

SENATE COMMITTEE ON ENERGY & ENVIRONMENT

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 153 RELATING TO RENEWABLE ENERGY

TESTIFIER:	**FREDERICK D. PABLO, INTERIM DIRECTOR OF TAXATION (OR DESIGNEE)**
COMMITTEE:	**ENE**
DATE:	**FEBRUARY 1, 2011**
TIME:	**3:30PM**
POSITION:	**NO POSITION**

This measure increases the Renewable Energy Technologies Income Tax Credit cap amount for wind-powered systems.

The cap amount is increased for single-family residential property and multi-family property, from $1,500 to $5,000 per system and $200 to $350 per system, respectively.

The Department of Taxation (Department) takes **no position** on the merits of this measure and defers to the Department of Business, Economic Development & Tourism on whether the wind-powered system category merits an increase.

The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.

Based upon historical data, this measure is estimated to result in a revenue loss of less than $200,000 per year beginning in FY 2012.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase tax credit for wind energy systems

BILL NUMBER: SB 153

INTRODUCED BY: Green, Shimabukuro and 3 Democrats

BRIEF SUMMARY: Amends HRS section 235-12.5(b) to increase the maximum amount of tax credit available for the purchase and installation of a wind-powered energy system for: (1) a single-family residential property from $1,500 to $5,000; and (2) from $200 to $350 per system for a multi-family residential property.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: Under the existing law, wind energy devices are eligible for an income tax credit of twenty percent of the cost of the device, up to a maximum amount, depending on what type of structure it is to be installed on, $1,500 for a single family residential property; $200 per unit for a multi-family residential property or $500,000 for a commercial property.

The proposed measure would increase the maximum amount of credit for devices installed on a single-family residential property to $5,000 and to $350 per unit on a multi-family residential property. This measure acknowledges the high cost of such devices. While some may consider an incentive necessary to encourage the use of energy conservation devices, it should be noted that the high cost of these energy systems limits the benefit to those who have the initial capital to make the purchase. If it is the intent of the legislature to encourage a greater use of renewable energy systems by increasing and expanding the existing system of energy tax credits, as an alternative, consideration should be given to a program of low-interest loans. However, if the taxpayer avails himself of the loan program, the renewable energy credit should not be granted for projects utilizing the loan program as the project would be granted a double subsidy by the taxpayers of the state.

Low-interest loans, which can be repaid with energy savings, would have a much more broad-based application than a credit that amounts to nothing more than a "free monetary handout" or subsidy by state government. A program of low or no-interest loans would do much more to increase the acquisition of these devices.

As taxpayers learned when oil soared to more than $150 a barrel, habits changed dramatically. As the cost of electricity rises, consumers, both families and businesses, will alter their choices. Utilizing tax incentives, such as these, amounts to nothing more than a subsidy by all other taxpayers for those who have the initial capital to make the investment. The current state program of tax credits combined with those available at the federal level have already encouraged many businesses and families to make the switch. Those who do not have the initial capital investment should be the focus of other strategies to encourage their conversion to alternate energy. A proposal such as this also ignores the fiscal crisis currently faced by the state and its taxpayers. One must ask who will be asked to pick up the tab for the more generous incentive embodied in this proposal as the state general fund budget shortfall widens?

What is curious is that with the combined federal and state tax incentives for alternate energy devices, it is still a hard sell for people to make the conversion. That certainly underscores the fact that until oil prices go through the roof again, even the most generous tax incentives are not enough to motivate people to switch. Instead offering both a state AND federal incentive, consideration should be given to suspending the state incentive during the duration of the federal tax incentive and reinstate it only when the federal incentives disappear.

Digested 1/31/11

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

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

SB 153, RELATING TO RENEWABLE ENERGY

February 1, 2011

Chair Gabbard, Vice-Chair English 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 SB 153 is to amends the maximum tax credit allowable for wind-powered energy systems. HREA **supports the intent of this measure** this measure as it would increase the credit CAP for single-family property (customers) from $1,500 to $5,000, and the per unit CAP for multi-family residential property from $200 to $350. It appears that this measure is intended to encourage the private investment in small systems. We offer the following comments and recommendations regarding this measure:

(1) Beneficial Impact of the Measure Raising the CAP on single-family residential property would provide a beneficial effect, but it would be limited to small wind turbines up to about 2 to 3 KW.

(2) What about increasing the tax credit from 20% to 35%. The price of wind turbines has not declined as we once had hoped, mainly due to lack of high volume production, higher material costs, and high permitting costs. On the other hand, PV costs have come down dramatically with higher volume productions and technical breakthroughs, and permitting costs are lower than for wind. In short, whereas small wind projects were less expensive for a long time, the reality now is that for residential projects, the actual installed costs for wind and PV are similar. Raising the wind credit from 20% to 35% in concert with increasing the CAP to $5,000 would then bring wind on par with PV. We encourage the Committee to consider also increasing the credit to 35% for commercial projects up to 500 kW.

(3) Other Issues. As noted, we need to reduce permitting costs, and county model zoning ordinances would help pave the way. But that is probably the subject for another measure.

The good news is that is that 95% of the small wind systems installed in the U.S. last year were manufactured in the U.S. The products have matured and you can get 10 year warranties. Still there are zoning hurdles to overcome and robust incentives are needed to encourage customers to face the permitting hassles and frustrations. Please pass the measure with a 35% tax credit for residential ($5,000 CAP) and commercial projects up to 500 kW (with a $200,000 CAP)

Thank you for this opportunity to testify.