

STAND. COM. REP. NO. 2212

Honolulu, Hawaii

FEB 15 2012

RE: S.B. No. 2666
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committees on Energy and Environment and Economic Development and Technology, to which was referred S.B. No. 2666 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose and intent of this measure is to create a tax credit for investments in the development and construction of a biofuel production facility that may only be claimed after the production facility becomes commercially operational.

Your Committees received testimony in support of this measure from the Office of Environmental Quality Control, Aina Koa Pono, Blue Planet Foundation, International Longshore and Warehouse Union Local 142, Hawaiian Electric Company, Hawaii Bioenergy LLC, and two individuals. Your Committees received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, Hawaii Renewable Energy Alliance, Pacific Biodiesel, and two individuals.

Your Committees find that the long-term benefits of a locally situated biofuel production facility merit the support of the people and State of Hawaii, despite the short-term costs associated with the development and construction of such a facility. This measure proposes to set: (1) the amount of the credit at fifteen percent of the qualified development and construction costs of a biofuel production facility; and (2) the maximum total tax credits claimed by a biofuel facility at



\$60,000,000. Your Committees welcome the guidance of your Committee on Ways and Means as to the appropriate percentage of the tax credit and appropriate maximum amount of total tax credits that may be claimed.

Your Committees further find that a tax credit would provide a substantial financial benefit to its recipient. Your Committees believe it is appropriate to require a recipient of the credits to refund the State the full amount of any credits earned and claimed over a period of ten years after obtaining the full amount of the credit.

Your Committees have amended this measure by:

- (1) Amending section 2, which establishes the tax credit, as follows:
 - (A) Replacing references to the date on which a biofuel facility becomes "commercially operational" with references to the date on which a biofuel facility is "placed in service";
 - (B) Replacing the term "qualified production costs" with the term "qualified development and construction costs";
 - (C) Deleting language requiring a biofuel production facility to use locally grown feedstock for at least seventy-five percent of its production output;
 - (D) Making the tax credit non-refundable and allowing any unused tax credit to be carried forward until it is depleted; and
 - (E) Adding language that would require a recipient of the tax credit to refund the State of Hawaii the entire amount of the tax credit earned and claimed, in one payment in the tenth taxable year after the recipient obtains its final tax credit;
- (2) Changing the effective date to July 1, 2050, to ensure further discussion; and



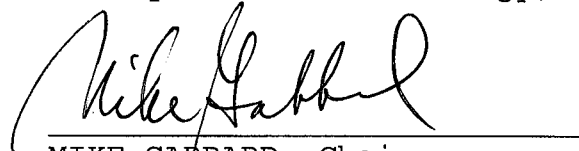
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Energy and Environment and Economic Development and Technology that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2666, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2666, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Energy and
Environment and Economic
Development and Technology,



CAROL FUKUNAGA, Chair

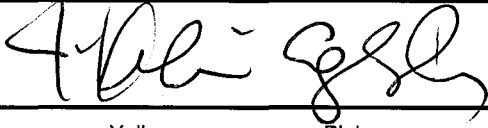


MIKE GABBARD, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* SB 2666	Committee Referral: ENE/EDT, WAM	Date: 9 Feb 2012		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
ENGLISH, J. Kalani (VC)	✓			
GREEN, M.D., Josh				✗
IHARA, Jr., Les	✓			
SLOM, Sam				✓
TOTAL	3			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* SB 2666	Committee Referral: ENE/EDT, WAM	Date: 2/9/2012		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
WAKAI, Glenn (VC)	✓			
BAKER, Rosalyn H.		✓		
SOLOMON, Malama			✓	
SLOM, Sam				✓
TOTAL	2	1	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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