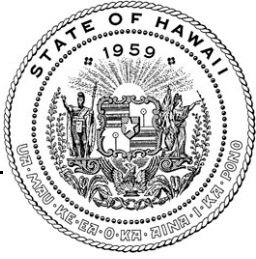


SB 1164

EDT



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the

**COMMITTEES ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
ENERGY AND ENVIRONMENT**

February 2, 2011
1:15 PM
State Capitol, Conference Room 016

in consideration of
SB 1164
RELATING TO ENTERPRISE ZONES.

Chair Fukunaga, Chair Gabbard, Vice Chair Wakai, Vice Chair English and Committee

Members:

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 1164, which amends the definition of “eligible business activity” in the Enterprise Zones Program to include the production of certain electric power from solar energy.

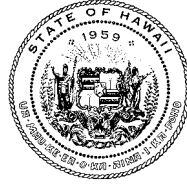
While this bill specifically designates solar energy as an “eligible business activity,” an option to consider may be to broaden the definition of eligible business activities to include “renewable energy activities” in the Enterprise Zone statute.

We defer, however, to the Department of Taxation for the revenue impact of this measure, and on the broadening of eligible activities to include all “renewable energy activities.”

Thank you for the opportunity to offer these comments.

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
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FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

SENATE COMMITTEES ON ECONOMIC DEVELOPMENT & TECHNOLOGY AND ENERGY & ENVIRONMENT

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 1164 RELATING TO ENTERPRISE ZONES

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)
COMMITTEE: EDT-ENE
DATE: FEBRUARY 2, 2011
TIME: 1:15PM
POSITION: NO POSITION; CONCERNED WITH COSTS

This measure expands the definition of "eligible business activity" to include electric power production from solar energy.

The Department of Taxation (Department) takes **no position** on this measure; however has **concerns regarding its revenue loss.**

DEFERRAL TO DBEDT—The Department defers to the Department of Business, Economic Development & Tourism on whether the enterprise zone incentives should be expanded to include solar energy. The Department generally supports efforts to expand renewable energy projects in Hawaii.

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

REVENUE IMPACT & METHODOLOGY—This measure will result in a revenue loss of approximately \$450,000 million per year starting in FY 2012.

Qualified companies in the State's enterprise zones received about \$1.5 million in tax credits in 2006. It is assumed that this proposal would expand enterprise zone activity by 30%. ($\$1.5 \text{ million} * 30\% = \$450,000$).

**Testimony before the
Senate Committees on
Economic Development and Technology
And
Energy and Environment**

S.B. 1164 – Relating to Enterprise Zones

**Wednesday, February 2, 2011
1:15 pm, Conference Room 016**

**By Arthur Seki
Director of Renewable Technology
Hawaiian Electric Company, Inc.**

Chairs Fukunaga and Gabbard, Vice Chairs Baker and English and members of the Committees:

My name is Arthur Seki—I am the Director of Renewable Technology at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO) hereinafter collectively referred to as HECO.

HECO strongly supports S.B. 1164, which amends the state enterprise zone language to include solar energy activities. We would suggest, however, that the existing enterprise zones be open to all renewable energy development. Land availability and incentives for renewable energy development continue to be issues.

Thank you for the opportunity to present this testimony.



TO: Senator Carol Fukunaga
Chair, Committee on Economic Development and Technology
Senator Mike Gabbard
Chair, Committee on Energy and Environment
Via Email: EDTTestimony@Capitol.hawaii.gov

FROM: Tim Wong
Vice President, Head of Strategy
Sopogy, Inc.

DATE: February 1, 2011

RE: **S.B. 1164 – Relating to Enterprise Zones**
Hearing: Wednesday, February 2, 2011 at 1:15 p.m., Room 016

Dear Chair Gabbard and Members of the Committee on Energy and Environment:

My name is Tim Wong and I am the Head of Strategy for Sopogy, Inc. (Sopogy). Sopogy is a solar power technology company based in Hawaii that uses concentration solar thermal to heat to generate electricity, process heat, and provide solar air conditioning. Our mission is to bring renewable solar energy technologies to Hawaii and its people for the betterment of our environment, independence from volatile imported fossil fuels, and energy stability.

Sopogy **strongly supports** S.B. 1146, which seeks to include solar energy businesses to Hawaii's Enterprise Zones law.

We support the state's efforts to develop a new renewable energy sector that will incentivize Hawaii-based renewable energy companies to develop their solar facilities in the state of Hawaii.

This measure will extend enterprise zone benefits (that are presently available to qualified wind energy businesses) to the solar energy industry. By becoming part of the Enterprise Zone, qualified solar energy companies would receive the benefits of exemptions from state income tax and state unemployment tax for the first seven

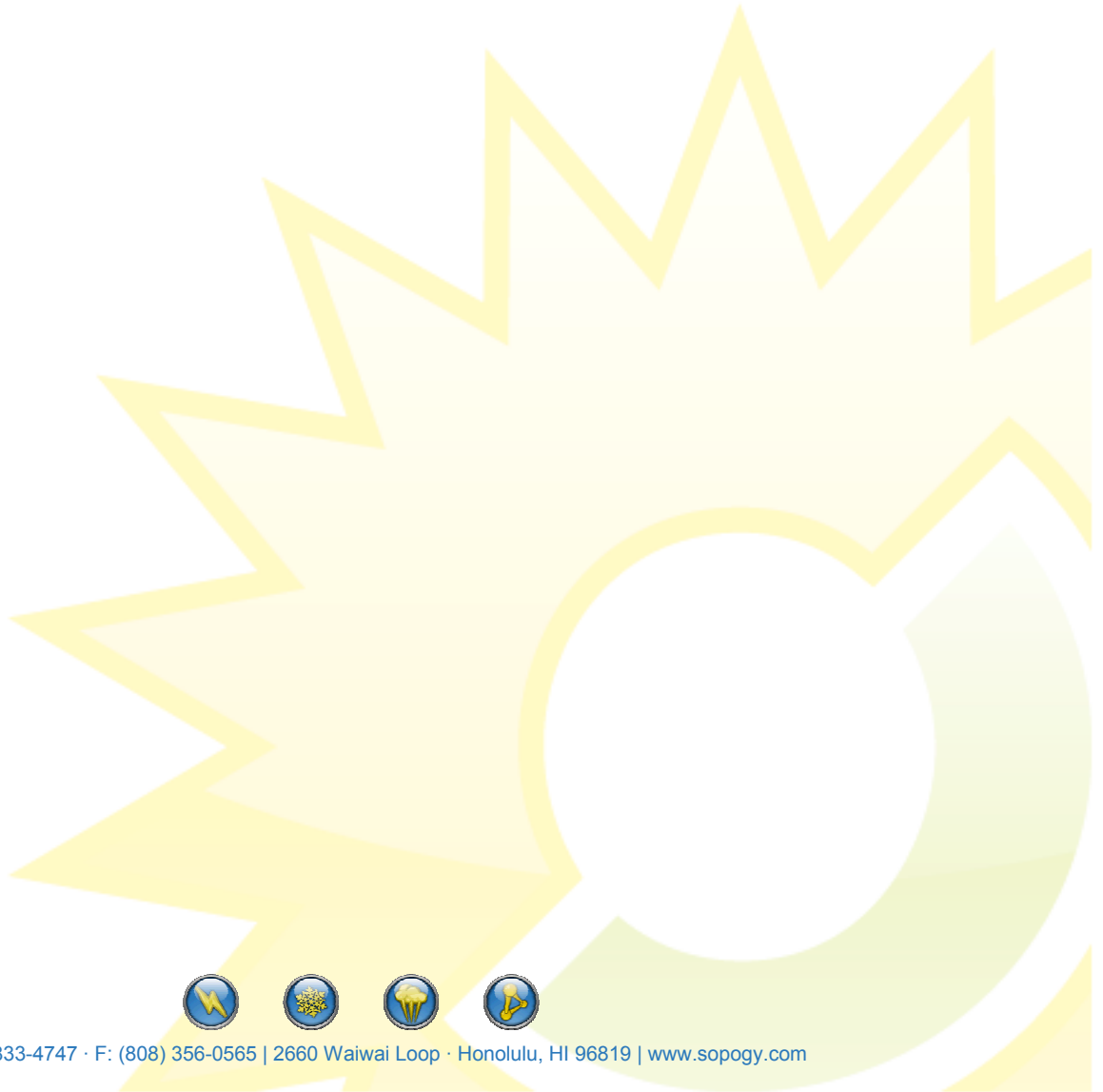




years (beginning at 80% for the first year, with a 10% reduction each year after until year seven). Qualified businesses would also receive a limited exemption from the state general excise and use tax. These tax benefits will provide a significant benefit to the State, as they will stimulate the growth of the energy technology sector, and will create new construction, new jobs and promote research and development in the solar energy technologies field. Each of these benefits will move Hawaii one step closer to helping the State eliminate its fossil fuel dependency.

In sum, we urge your support for this bill, which will help the State become truly energy independent and meet its goals of generating 40% of its energy needs locally by 2030.

Thank you for this opportunity to present testimony in support of this measure.





LATE

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

February 2, 2011, 1:15 P.M.

Room 016

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 1164

Chairs Fukunaga and Gabbard and members of the Committees:

The Blue Planet Foundation supports SB 1164, a measure that expands the benefits provided by enterprise zone designation to solar energy. This measure provides additional incentive for the private sector to invest in Hawaii's clean energy future.

This change to the law has precedent as "eligible business activity" within enterprise zones already includes the production of wind energy. Inclusion of solar energy is consistent with current intent to support renewable power.

Given Hawaii's latitude, solar energy will be an important part of Hawaii's clean energy future. Solar is scalable, decentralized, quiet, and can often be placed on rooftops of existing buildings. These features make it a perfect complement to other enterprise zone activities—all while providing clean energy and a stable price for economic development.

We support extending enterprise zone benefits to solar energy.

Thank you for the opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Renewable energy resources

BILL NUMBER: SB 1164; HB 1299 (Identical)

INTRODUCED BY: SB by Fukunaga, Chun Oakland & 1 Democrat; HB by McKelvey

BRIEF SUMMARY: Amends HRS section 209E to expand the provision allowing a business engaged in producing electric power from wind energy to a public utility company for resale to include electric power generated from solar energy, conferring enterprise zone treatment on this latter category of activity.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: Act 160, SLH 2000, expanded the enterprise zone laws by revising the definition of qualified businesses to include businesses engaged in producing electric power from wind energy which is subsequently sold to a public utility for resale, making the business eligible for enterprise zone benefits. The proposed measure would further extend enterprise zone benefits to businesses engaged in the development or production of electric power from solar energy.

In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven-years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

If it is the intent of the legislature to encourage new and existing businesses to expand their employment bases and increase their marketing territories, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out specific areas of the state merely confers preferences for those businesses located within those geographic areas at the expense of all other taxpayers who are not so favored. It should be remembered that those taxpayers who live and work in the zone will demand the same public services as those who are not as fortunate to be located in the zone. Who then will pay for these services?

The question is why confer enterprise status on this type of activity as it would seem the location and placement of the solar collectors would be more important than the fact that the facility is located in a depressed economic zone. This proposal is counter-intuitive and fails to recognize the forces and factors taken into consideration in establishing a business enterprise. Then again, having much experience doing business is sorely lacking in the policymaking arena today.

Concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses. Enterprise zones are merely an abdication of government's responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need.

Digested 2/1/11