

Honolulu, Hawaii  
March 21, 2014

RE: S.B. No. 2197  
S.D. 2  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred S.B. No. 2197, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to incentivize renewable energy production that is more responsive to the State's actual needs by:

- (1) Establishing a renewable fuels production tax credit; and
- (2) Repealing the ethanol facility tax credit.

The Hawaii Renewable Energy Alliance; Ulupono Initiative; Pacific Biodiesel Technologies; Maui Recycling Services; Renewable Energy Action Coalition of Hawaii; and numerous concerned individuals testified in support of this measure. The Department of the Attorney General; Department of Business, Economic Development and Tourism; Department of Taxation; and Tax Foundation of Hawaii provided comments.

Hawaii is one of the most isolated land masses on Earth and lacks the means of production for traditional petrochemical fuels. Hawaii imports nearly 90 percent of its energy supply, including various forms of fossil fuel. This makes the state extremely

SB2197 HD1 HSCR EDB HMS 2014-2750

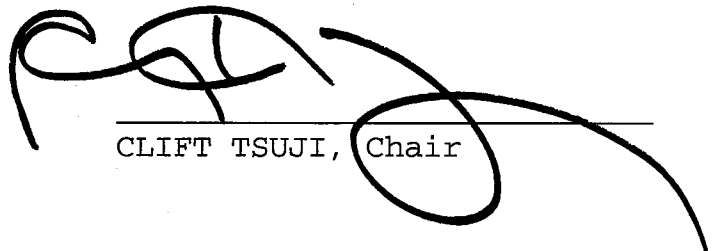


extremely vulnerable to soaring prices or market disruptions which can hinder, cripple, or even devastate the State's economy and the well-being of its residents. Thus, it is critical for Hawaii to become more energy self-sufficient. The establishment of a renewable fuels production tax credit has the potential to significantly increase renewable energy growth in Hawaii and address our future energy needs.

However, your Committee notes that concerns were raised by proponents of this measure regarding the clarity of the definition of "renewable feedstocks". Furthermore, the Department of the Attorney General noted that the current definition of "renewable feedstock" being used in this measure may establish a geographic limitation on interstate commerce and therefore violate the Commerce Clause of the United States Constitution. As such, your Committee requests the proponents of this measure to work with the Attorney General to develop language to address this issue. In addition, it is the intent of your Committee, through the Committee Chair, to request an opinion from the Attorney General on this matter.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2197, S.D. 2, H.D. 1, and recommends that it be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business,



CLIFT TSUJI, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

*HSCR 1144-14*

**Record of Votes of the Committee on Economic Development & Business**

Bill/Resolution No.: <i>SB2197, SD2, HD1</i>	Committee Referral: <i>EEP, EDA, FIN</i>	Date: <i>3/18/14</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. TSUJI, Clift (C)	/			
2. WARD, Gene (VC)	/			
3. AWANA, Karen		/		
4. BROWER, Tom	/			
5. CACHOLA, Romy M.		/		
6. ITO, Ken	/			
7. CHOY, Isaac W.	/			
8. OHNO, Takashi				/
9. ONISHI, Richard H.K.	/			
10. TOKIOKA, James Kunane	/			
11. WOOLEY, Jessica	/			
<b>TOTAL (11)</b>	<b>8</b>	<b>2</b>		<b>1</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee acronym(s) did not support recommendation.				
Vice Chair's or designee's signature: <i>[Signature]</i>				
Distribution: Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				