

Honolulu, Hawaii

March 14, 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 Energy & Environmental Protection, to which was referred S.B. No. 2197, S.D. 2, 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; Upcountry Mobile Mechanic Service, LLC; Ulupono Initiative; Renewable Energy Action Coalition of Hawaii; Pacific Biodiesel Technologies; Maui Recycling Services; Blue Planet Foundation; and numerous individuals testified in support of this measure. The Department of Business, Economic Development and Tourism; Department of the Attorney General; Department of Taxation; Tax Foundation of Hawaii; and an individual provided comments.

Your Committee has amended this measure by:



- (1) Specifying that the credit shall be available for a credit period of five consecutive years that begins on or before December 31, 2019;
- (2) Removing the requirement that qualifying renewable fuel be produced from feedstocks transported less than two thousand miles from the point of origin;
- (3) Amending the definition of "renewable feedstocks" to mean feedstock requiring less than one barrel of oil, or its equivalent per ton for harvest and transport;
- (4) Removing the aggregate cap on certified tax credits claimable in a given year;
- (5) Requiring that taxpayers claiming a renewable fuels tax credit complete a survey to assist with data-gathering and analysis of the tax credit's effects; and
- (6) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Your Committee notes that the definition of "renewable feedstocks" has been amended to ensure feedstock is produced sustainably and fits the definition of renewable.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2197, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2197, S.D. 2, H.D. 1, and be referred to the Committee on Economic Development & Business.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



CHRIS LEE, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.: SB2197, SD2		Committee Referral: EEP, EDB, FIN		Date: 3/13/14
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" 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)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. LEE, Chris (C)	X			
2. THIELEN, Cynthia (VC)	X			
3. CULLEN, Ty J.K.	X			
4. EVANS, Cindy	X			
5. HANOHANO, Faye P.		X		
6. KAWAKAMI, Derek S.K.	X			
7. SAY, Calvin K.Y.		X		
8. NISHIMOTO, Scott Y.	X			
9. LOWEN, Nicole E.	X			
10. FALE, Richard Lee		X		
TOTAL (10)	7	3		
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <u>Cynthia Thielen</u>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				