

STAND. COM. REP. NO.

2785

Honolulu, Hawaii

FEB 28 2014

RE: S.B. No. 2197

S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2197, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to promote greater energy security for Hawaii.

More specifically, this measure:

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

Your Committee received written comments in support of this measure from the Hawaii Leeward Planning Conference, Hawaii Renewable Energy Alliance, Pacific Biodiesel Technologies, and two individuals. The Department of the Attorney General, Department of Business, Economic Development, and Tourism, and Department of Taxation submitted written comments on the measure.

Your Committee finds that Hawaii is one of the most isolated land masses on Earth and imports nearly ninety per cent of its energy needs. As a result, Hawaii is extremely vulnerable to soaring prices or disruptions of its energy imports, which can hinder, cripple, or even devastate the State's economy and the well-being of its inhabitants. Your Committee believes that it is critical for Hawaii to become more energy self-sufficient and that

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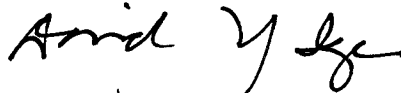
establishing a renewable fuels production tax credit has the potential to significantly increase renewable energy growth in Hawaii.

Your Committee has amended this measure by:

- (1) Changing the amount of the tax credit and related cap amounts to unspecified amounts;
- (2) Clarifying the definition of the term "qualifying renewable fuels";
- (3) Changing the requirement that renewable feedstocks be transported less than one thousand miles, from their point of origin to the production facility located within the State, to less than two thousand miles;
- (4) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (5) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2197, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2197, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



