

NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

To: The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Tuesday, March 25, 2014  
Time: 9:05 A.M.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. 2060, H.D. 2, S.D. 1 Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 2060, H.D. 2, S.D. 1, and provides the following information and comments for your consideration.

H.B. 2060, H.D. 2, S.D. 1, repeals the existing income tax credit for ethanol facilities and adds a new tax credit for the production of renewable fuels. The tax credit would be equal to twenty cents per one hundred fifteen thousand British thermal units of fuel produced, and would be capped at \$3,000,000 per taxpayer. The credit would also have an aggregate cap of \$12,000,000 per year. The tax credit would be certified by the Department of Business, Economic Development, and Tourism. S.D. 1 has a defective effective date of July 1, 2050.

The Department defers to the Department of the Attorney General for a more thorough analysis of the constitutionality of H.B. 2060, H.D. 2, S.D. 1, but notes that tax measures that discriminate against interstate commerce are generally held unconstitutional by the courts. For example, the holding in Bacchus Imports Ltd. v. Dias, 468 U.S. 263 (1984), indicates that provisions that result in taxation that is discriminatory against products imported from outside the State would violate the Commerce Clause of the United States Constitution. To address this concern, the Department suggests changing or removing the requirement that feedstocks be transported less than 2,000 miles from their point of origin, which would exclude feedstocks from outside the State.

It is important to note that aggregate caps are difficult for the Department to administer and lead to confusion among taxpayers regarding which taxpayers may be eligible for the tax

credit during any particular taxable year. In addition, it is the Department's understanding that the amount of this credit would roughly correspond to 20 cents per gallon of fuel produced, meaning that there is a high likelihood that the caps would be reached with some frequency if large-scale production operations commence in the State.

Thank you for the opportunity to provide comments.



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

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**Richard C. Lim**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the

**SENATE COMMITTEE ON WAYS AND MEANS**

Tuesday, March 25, 2014

9:05 a.m.

State Capitol, Conference Room 211

in consideration of  
**HB 2060, HD2, SD1**  
**RELATING TO TAXATION.**

Chair Ige, Vice Chair Kidani, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) has concerns about HB 2060, HD2, SD1, which would establish a renewable fuels production tax credit.

DBEDT notes that the funding and staff required to administer DBEDT's duties in this bill are not included in its current budget. Should the measure advance, we prefer an annual online survey to be submitted to DBEDT by the taxpayer seeking to claim the credit as a less costly method of collecting information to assess the effectiveness of the tax credit. DBEDT's suggested revision replaces language starting on page 4, line 8 through page 5, line 7, and is attached.

Moreover, DBEDT defers to the Department of Taxation on the fiscal impact, and the Attorney General on the legal aspects, of the bill.

Finally, while we agree with the need to remove structural impediments to achieving Hawaii's vital energy security objectives, if it is the intent of the Legislature to use this bill as a test case of the interstate commerce clause, we respectfully request that it carefully consider the potential effects on Hawaii's economy, market structure and energy sector.

Thank you for the opportunity to offer these comments.

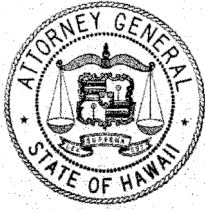
DBEDT's suggested language:

(e) The taxpayer that claims the credit under this section shall complete and file with the department of business, economic development, and tourism, through that department's website, an annual survey on electronic forms prepared and prescribed by the department of business, economic development, and tourism. The annual survey shall be filed before June 30 of each calendar year following the calendar year in which the credit may be claimed under this section. The department of business, economic development, and tourism may adjust the due date of the annual survey by rules adopted pursuant to chapter 91.

(1) The annual survey shall include the following information for the time period or periods specified by the department of business, economic development, and tourism:

- (a) The number, location, and production capacity of qualifying renewable fuels production facilities in the State;
- (b) The total number of British thermal units of qualifying renewable fuels, broken down by type of fuel, produced and sold during the previous year;
- (c) The projected number of British thermal units of qualifying renewable fuels production for the succeeding year; and
- (e) Any other factors the department of business, economic development, and tourism deems relevant.

(2) The department of business, economic development, and tourism, in collaboration with the department of taxation, shall use the information collected to study the effectiveness of the tax credit under this section. The department of business, economic development, and tourism shall submit a report to the legislature on an annual basis.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-SEVENTH LEGISLATURE, 2014**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2060, H.D. 2, S.D.1 RELATING TO TAXATION.

**BEFORE THE:**

SENATE COMMITTEE ON WAYS AND MEANS



**DATE:** Tuesday, March 25, 2014

**TIME:** 9:05a.m.

**LOCATION:** State Capitol, Room 211

**TESTIFIER(S):** David M. Louie, Attorney General, or  
Kathryn-Jean Kanemori, Deputy Attorney General

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Chair Ige and Members of the Committee:

The Department of the Attorney General offers the following comments on this bill. The bill may be challenged as violating the Commerce Clause of the United States Constitution because it could be found to discriminate against interstate commerce.

The Committee on Energy and Environment amended this bill, by deleting its contents and inserting the contents of S.B. 2197, S.D.2, which had substantively similar provisions. The purpose of this bill is to repeal the existing income tax credit for ethanol facilities and add a new tax credit for the production of qualifying renewable fuels. The tax credit would be equal to twenty cents per one hundred fifteen thousand British thermal units of fuel produced, and would be capped at three million dollars per taxpayer per taxable year. The tax credit would be certified by the Department of Business, Economic Development, and Tourism. This bill has a defective effective date of July 1, 2050.

Section 2, page 3, lines 6 through 9, of this bill defines “qualifying renewable fuels” as “fuels produced within the State from renewable feedstocks **transported less than two thousand miles from point of origin to the production facility located within the State; provided that the fuels shall be sold in the State as fuel[.]**” (Emphasis added.) Requiring that the renewable feedstock be “transported less than two thousand miles form point of origin to the production facility located within the State” and sold within the State as fuel in order to qualify as “qualifying renewable fuel” appears to have a similar purpose and effect as the tax exemption that violated the Commerce Clause Bacchus Imports, Ltd. v. Dias, 468 U.S. 263, 268 (1984).

A cardinal rule of Commerce Clause jurisprudence is that “[n]o State, consistent with the Commerce Clause, may ‘impose a tax which discriminates against interstate commerce . . . by providing a direct commercial advantage to local business.’” Bacchus, 468 U.S. at 268, *citing Boston Stock Exchange v. State Tax Comm’n*, 429 U.S. 318, 329 (1977).

At issue in Bacchus was the Hawaii liquor tax, which was originally enacted in 1939 to defray the costs of police and other governmental services. Because the Legislature sought to encourage development of the Hawaiian liquor industry, it enacted an exemption from the liquor tax for okolehao (a brandy distilled from the root of the ti plant, an indigenous shrub of Hawaii) and for certain fruit wine manufactured in Hawaii. The United States Supreme Court concluded that the exemption violated the Commerce Clause because the exemption had both the purpose and effect of discriminating in favor of local products.

We recommend that the phrases “less than two thousand miles” and “provided that the fuels shall be sold in the State as fuel” in section 2, page 3, lines 6 through 9, of this bill be deleted.

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**Subject:** Submitted testimony for HB2060 on Mar 25, 2014 09:05AM  
**Date:** Friday, March 21, 2014 8:31:35 PM

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**HB2060**

Submitted on: 3/21/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cameron Healy	Pacific Biodiesel/ Kona Brewing Co	Comments Only	No

Comments: Please support HB 2060 to help make alternative fuels more viable in Hawaii

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**Subject:** Submitted testimony for HB2060 on Mar 25, 2014 09:05AM  
**Date:** Saturday, March 22, 2014 7:35:09 AM

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**HB2060**

Submitted on: 3/22/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Erik Stein	Extended Horizons	Support	No

Comments: These fuel credits support cleaner air and relieve landfills in Hawaii

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**Subject:** Submitted testimony for HB2060 on Mar 25, 2014 09:05AM  
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**HB2060**

Submitted on: 3/21/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jacqui Hoover	Hawaii Island Economic Development Board	Support	No

Comments: Hawai`i Island Economic Development Board (HIEDB) fully supports the intent and purpose of HB2060 and humbly requests approval.

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**Subject:** Submitted testimony for HB2060 on Mar 25, 2014 09:05AM  
**Date:** Friday, March 21, 2014 8:41:09 PM

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**HB2060**

Submitted on: 3/21/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jacqui Hoover	Hawaii Leeward Planning Conference	Support	No

Comments: Hawai`i Leeward Planning Conference (HLPC)supports HB2060 and humbly requests its approval.

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**Subject:** Submitted testimony for HB2060 on Mar 25, 2014 09:05AM  
**Date:** Sunday, March 23, 2014 10:01:00 AM

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**HB2060**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Larry Zolezzi	Pacific Biodiesel	Support	No

Comments: Please support alternative fuels and reduce imports of petroleum

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SENATE COMMITTEE ON WAYS & MEANS  
Tuesday, March 25, 2014 – 9:05 a.m. – Room 211

**Ulupono Initiative Supports HB 2060 HD 2 SD 1 with amendments, Relating to Taxation**

Dear Chair Ige, Vice Chair Kidani and Members of the Committee:

My name is Murray Clay and I am managing partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

**Ulupono supports HB 2060 HD 2 SD 1 with amendments**, which establishes a renewable fuels production tax credit. In recent years Hawai'i has seen significant growth in renewable energy adoption moving the State towards its renewable energy goals. However, while the state locally produces about 14% renewable electricity, renewable fuels are far less than 1% of fuel use. Electricity represents approximately 40% of energy use in the state while transportation fuels account for a larger share at 51%. This is disturbing as this means we are making the least amount of progress to date in renewable production for the largest share of the state's energy use.

This important bill could be made more effective in achieving Hawai'i's renewable energy goals with three amendments:

1. On page 2, line 14, the per taxable year limit be put to at least \$6 million per taxable year, which is equivalent to 30 million gallons per year of production. It is important to note that renewable fuel facilities as large as 50 million gallons per year of capacity have been proposed for Hawai'i. Furthermore, ethanol imports alone, at a 10% blend with gasoline, amounted to more than 45 million gallons last year. If we want to replace a meaningful portion of imported fuels with locally produced renewable fuels, at least \$6 million per taxable year is a reasonable amount that balances enough incentive for developers while minimizing cost for the State.
2. The listing of renewable feedstocks that begins on page 3, line 18 should be expanded to include, "sugar and starch crops including but not limited to sugar cane and cassava." We understand that the phrase "other agricultural crops" could be interpreted to include sugar/starch crops used in biofuel production, but as oil crops were listed it seems prudent to list sugar & starch crops to avoid doubt. It is important to note that sugar and starch crops can be processed into ethanol today with existing technology meaning zero technology risk.
3. On page 5, line 9, the aggregate limit should be increased to \$18 million. In truth, any aggregate limit will make biofuels production facilities much more difficult to finance since the developer can never be sure his/her project will be completed in time to receive the credit – before the aggregate limit is reached. This means developers will not be able to



include such benefits in their financing decisions. Nevertheless, understanding that the committee would prefer to have a limit to reduce the risk of an unexpectedly large tax credit claim, an \$18 million limit seems reasonable. This would then allow up to three 30 million gallon per year facilities in Hawai'i if amendment #1 above was also adopted. That would be 90 million gallons per year in aggregate or about double the amount of imported ethanol. This would also allow for production facilities on more than one island – for example, one 30 million gallon per year facility on three different islands.

Furthermore, we also request that on page 2, line 7, the production tax credit remain equal to 20 cents per one hundred fifteen thousand British thermal units throughout the remaining legislative process. We feel that is a reasonable figure that would incentivize production while limiting impact to the State's budget.

We strongly believe that this bill has the potential to open the door for significant renewable energy growth in Hawai'i. In terms of renewable energy production, transportation fuels are significant behind electricity in “going green”. This bill will help move renewable fuels forward.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay  
Managing Partner

Email: [communications@ulupono.com](mailto:communications@ulupono.com)



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March 23, 2014

**Testimony on House Bill 2060, HD2, SD1 Relating to Taxation  
SUPPORT**

Committee on Ways and Means  
Senator David Ige, Chair  
Senator Michelle Kidani, Vice Chair  
Hearing March 25, 2014 at 9:05 a.m., Conference Room 211

Dear Chair Ige, Vice Chair Kidani and Committee Members,

The employees, management and investors of the Pacific Biodiesel ohana thank you for hearing House Bill 2060, HD2, SD2 for consideration by the Committee on Ways and Means. This bill is crucial to growing the biofuels industry in Hawaii, especially since our state is far behind in our transportation renewable energy goals. We wholeheartedly testify in favor of this bill.

This bill supports the State of Hawaii's interest in becoming more energy self-sufficient; considering the link between tax credits and the expansion of capacity in the wind and solar industries, we believe the biofuel industry will grow substantially due to this credit. Meanwhile, the impact of the first two years will be minimal and certainly less than the current budgetary reserve for the Ethanol Facility Tax Credit that will be replaced by this legislation. As the only current biofuel producer in Hawaii, Big Island Biodiesel projects applying for \$1.2 million in credits during 2015, and \$1.65 million at maximum nameplate production capacity beyond 2016.

If the Biofuel Production Tax Credit is passed, it will be one of the most important actions the Legislature can take to incentivize renewable fuel production, support current and future local jobs as well as ensure the future energy security of our island communities.

Pacific Biodiesel employs about 75 people in a wide range of positions from chemists to engineers, office and sales personnel to biodiesel facility operators and farmers, as well as outside consultants. Employment represents \$3 million in wages paid in 2013 and continued operations generate over \$20 million revenue in the State of Hawaii every year. When biodiesel is purchased from Pacific Biodiesel in Hawaii, over 85% of the money stays in the Hawaii economy, and 98% of the money stays in the US economy. This is truly an economic boost and wise investment by the State, as opposed to the economic drain of foreign petroleum.

It is the goal of all those connected with Pacific Biodiesel to continue with our mission to promote a clean, sustainable energy future through the community-based production of renewable fuels, but we need your help as federal support for biofuel continues to be inconsistent and short-term. Meanwhile, the petroleum industry with whom we must compete enjoys on-going, statutory support at all levels of government.

We ask you to please pass HB 2060, HD2, SD1 to support the expansion of local renewable fuel production throughout the State of Hawaii.

Mahalo nui loa,

A handwritten signature in black ink that reads "Robert O. King".

Robert King  
President  
[bking@biodiesel.com](mailto:bking@biodiesel.com)

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable fuels production tax credit

BILL NUMBER: HB 2060, SD-1

INTRODUCED BY: Senate Committee on Energy and Environment

**EXECUTIVE SUMMARY:** Replaces the ethanol facility tax credit with a renewable fuels production tax credit of 20 cents per 115,000 British thermal units (BTU) of renewable fuels, up to \$3 million per taxpayer per year. As an alternative, this credit should be repealed and replaced with a direct appropriation as it: (1) would provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) would not be a blank check.

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to establish a renewable fuels production tax credit. The credit shall be allowed to taxpayers producing qualifying renewable fuels provided the credit shall not be claimed for more than five years.

The annual dollar amount of the credit shall be 20 cents per 115,000 British thermal units (BTU) of renewable fuels using the lower heating value produced for distribution in Hawaii; provided that the production by the facility is not less than 15 billion BTUs of renewable fuels per year. Limits the amount of tax credit that may be claimed by a taxpayer to \$3 million per taxable year.

Defines "credit period," "net income tax liability" and "qualifying renewable fuels." "Renewable fuels" are fuels produced in the state from renewable feedstocks transported less than two thousand miles from point of origin to the production facility located in the state. The fuel shall be sold in the state as a fuel and meet the relevant ASTM International specifications for the particular fuel or other industry specifications for liquid or gaseous fuels, including but not limited to: (1) methanol, ethanol, or other alcohols; (2) hydrogen; (3) biodiesel or renewable diesel; (4) other biofuels; or (5) renewable jet fuel or renewable gasoline. Defines "renewable feedstocks" as biomass crops; agricultural residues; oil crops, including but not limited to algae, canola, jatropha, palm, soybean and sunflower; other agricultural crops; grease and waste cooking oil; food wastes; municipal solid wastes and industrial wastes; water; and animal residues and wastes that can be used to generate energy.

Requires the department of business, economic development and tourism (DBEDT) to verify and certify each claim for the credit including the total amount of credit for each taxable year and the cumulative amount of tax credit during the credit period. The department shall issue a certificate to qualifying taxpayers who shall file the certificate with the department of taxation (DOTax).

If in any year the annual amount of certified credits reaches \$12 million in the aggregate, DBEDT may discontinue certifying credits and notify DOTax.

If the amount of credits exceeds the taxpayer's income tax liability, the excess of credit over liability may be carried over to future years.

Prior to production of any qualifying renewable fuels for the year, the taxpayer is to provide written notice of the taxpayer's intention to begin production of qualifying renewable fuels to DOTax and DBEDT with information on the taxpayer, facility location, facility production capacity, anticipated production start date, and the taxpayer's contact information. The taxpayer shall also provide written notice to the directors of taxation and DBEDT within 30 days following the start of production and include the production start date and expected renewable fuel production for the next year.

In each calendar year during the credit period, the taxpayer shall provide information to the director of DBEDT on the number of BTUs of renewable fuels produced and sold during the previous calendar year, the type of fuels, feedstocks used for renewable fuels production, the number of employees of the facility and each employee's state of residency, and the projected number of BTUs of renewable fuels production for the succeeding year.

Directs the director of DBEDT, following each year in which a credit under this section has been claimed, to submit a written report to the governor and legislature regarding the production and sale of renewable fuels. Requires the department of taxation to prepare the necessary forms to claim the credit, requires the taxpayer to furnish information to validate a claim for the credit.

Repeals the ethanol facility tax credit under HRS section 235-110.3.

EFFECTIVE DATE: July 1, 2050; applicable to tax years beginning after December 31, 2014

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to replace the ethanol facility tax credit with a renewable fuels production tax credit.

It has been almost ten years since the credit for the construction of an ethanol plant in Hawaii was enacted and ground has not yet been broken. Ethanol was the panacea of yesterday, and lawmakers have learned that there are more minuses to the use of ethanol than there are pluses. Ethanol production demands more energy to produce than using a traditional petroleum product to produce the same amount of energy, and the demand for feedstock that is used to produce ethanol basically redirects that feedstock away from traditional uses, causing products derived from the feedstock to substantially increase in price. Apparently, technology has evolved so that it is now possible to use other biofuels or feedstock to produce energy; the existing credit, which is specific to ethanol, might not be applicable to energy production using these other types of feedstock.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned is that unbridled tax incentives, where there is no accountability or limit on how much in credits can be claimed, tend to cost far beyond what was ever contemplated. As an alternative, lawmakers should consider repealing this credit and encourage other types of alternate energy through the appropriation of a specific number of taxpayer dollars to buy this energy. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would: (1) provide



some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check.

An appropriation of taxpayer dollars for such untried and unproven technologies would be far more accountable than the tax credit as such technologies would have undergone the scrutiny of lawmakers. Providing a tax incentive is an indicator that lawmakers are unwilling to do the hard research and unwilling to impose strict discipline in the expenditure of hard-earned tax dollars. The tax incentive approach represents nothing more than a hope and a wish that some breakthrough will be made, no matter how inefficient it may be, that some alternative to fossil fuel will be found. In the meantime, those tax dollars will be wasted on some unproven folly. If this were an appropriation, taxpayers would know who to hold accountable for the waste of those tax dollars.

Rather than providing a flat production credit or investment credit, if lawmakers believe this cause is worthy and insist upon using tax credits as a vehicle to advance it, they may wish to consider providing the credits on a sliding scale, such as how the enterprise zone credits (chapter 209E, HRS) apply declining benefits in subsequent years in order to wean the businesses off the credits and encourage them to be able to develop global competitiveness.

Finally, lawmakers need to realize that the need for tax credits or other breaks comes from the climate imposed by government regulations and taxation, which makes it difficult for businesses to survive without some kind of subsidy. Once those subsidies disappear, so will the businesses. Instead of throwing subsidies at businesses, lawmakers would be well advised to attack the root causes of the difficulty, and endeavor to make Hawaii's business climate more welcoming and conducive to nurturing budding entrepreneurs.

Digested 3/24/14

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**Subject:** \*Submitted testimony for HB2060 on Mar 25, 2014 09:05AM\*  
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**HB2060**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Beth Mathias	Individual	Support	No

Comments:

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**HB2060**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Daniel Mizner	Individual	Support	No

Comments:

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**HB2060**

Submitted on: 3/21/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Denise Key	Individual	Support	No

Comments:

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**Date:** Sunday, March 23, 2014 3:11:52 PM

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**HB2060**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Doug Olds	Individual	Support	No

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**HB2060**

Submitted on: 3/21/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Erin Wooldridge	Individual	Support	No

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**HB2060**

Submitted on: 3/24/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
George Aiwohi	Individual	Support	No

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**HB2060**

Submitted on: 3/24/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jan Alejandro	Individual	Support	No

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**HB2060**

Submitted on: 3/22/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jason Masters	Individual	Support	No

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**HB2060**

Submitted on: 3/21/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jenna Long	Individual	Support	No

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**HB2060**

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lynn Allen	Individual	Support	No

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**HB2060**

Submitted on: 3/22/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
matthias kusch	Individual	Support	No

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**HB2060**

Submitted on: 3/22/2014

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Heinemann	Individual	Support	No

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**HB2060**

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
nicolas dramisino	Individual	Support	No

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**HB2060**

Submitted on: 3/21/2014

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Penny Levin	Individual	Support	No

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**HB2060**

Submitted on: 3/22/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rene Umberger	Individual	Support	No

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**HB2060**

Submitted on: 3/24/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rob Robinson	Individual	Support	No

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**HB2060**

Submitted on: 3/21/2014

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Terry Hans	Individual	Support	No

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**HB2060**

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Unmani Cynthia Groves	Individual	Support	No

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**HB2060**

Submitted on: 3/23/2014

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
victoria martocci	Individual	Support	No

Comments: Our small Maui business uses biodiesel to fuel our boat... it makes a huge impact on our tourist guests - in a good way! - every day we talk about Hawaii's biodiesel alternative, it shows Hawaii in a positive light to our visitors... smart for Hawaii, smart for Maui businesses, smart for the environment.

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**HB2060**

Submitted on: 3/23/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Zane Mathias	Individual	Support	No

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Jody Allione  
Silver Ridge

Joe Boivin  
Hawaii Gas

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

HB 2060 HD2 SD1, Relating to Taxation

March 25, 2014

Chair Ige, Vice-Chair Kldani and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically- sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of HB 2060 HD2 SD1 are to: (i) establish a renewable fuels production tax credit to achieve greater energy security for Hawaii, and (iii) repeal the Ethanol Facility Tax Credit.

HREA **strongly supports** this measure with the following comments:

- 1) Meeting Our Clean Energy. This measure supports our clean energy goals by encouraging business opportunities in the production of renewable fuels in Hawaii.
- 2) Merits of a Production Tax Credit (“PTC”). We believe a PTC is the best way for the state to support biofuel production in Hawaii. With a PTC, a “producer” gets paid when the producer actually produces, not when he installs his production facility. This reduces the risk to the state significantly. The PTC has other features that we find attractive:
  - a) we believe the PTC will be easy to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii; and
  - b) the PTC will help facilitate effective producer-ag grower relationships to grow renewable feedstocks for the production of local renewable fuels.
- 3) Recommendations. We recommend that the committee pass out this measure to help us me our Clean Energy Goals to meet 70% of our transportation needs with renewable fuels by 2030.

Mahalo for this opportunity to testify.



**SENATE COMMITTEE ON WAYS AND MEANS**

March 25, 2014, 9:05 A.M.

Room 211

**(Testimony is 2 pages long)**

**TESTIMONY IN SUPPORT OF HB 2060 HD2 SD1**

Chair Ige and Committee members:

The Blue Planet Foundation supports HB 2060, expanding the eligibility for biofuel production facilities beyond ethanol. This policy—providing a biofuel facility tax credit to incentivize the needed development and construction of such facilities—will provide greater support for Hawaii’s diverse biofuel production infrastructure.

Biofuels will likely play a major role in Hawaii’s clean energy future—particularly as a substitute for petroleum-based transportation fuels. Transportation fuels in Hawai`i can be made from renewable resources, such as biomass in various forms, algae, and waste products. These materials are neither as scarce nor as expensive as crude oil. Even more importantly, these materials are available here. Hawai`i should set a clear course for a steady, incremental transition to renewable fuels including local and sustainable biofuels.

Blue Planet also supports policy to require that a certain percentage (5%, 10%) of diesel fuel sold in Hawai`i be biodiesel. One of Hawai`i’s entrepreneurial success stories is biodiesel, a fuel that can be created from recycled cooking grease and oils or grown locally, and that can be substituted in place of fossil fuel-based diesel for transportation. Already, this local industry is creating enough fuel to displace 5% of transportation diesel fuel sold in the state. The biofuels industry is also making headway on the state’s use of aviation fuels; HawaiiBioenergy has completed an agreement with Alaska airlines to power Hawai`i flights with biofuels starting as soon as 2018.

## **SUGGESTED AMENDMENTS**

Blue Planet supports several amendments to strengthen this bill:

First, Blue Planet supports a mandate to blend biodiesel with all locally sold diesel fuel. This smart step will help to continue the momentum for a local industry to supply indigenous clean energy for our transportation energy needs.

Second, Blue Planet supports revising the tax credit from \$0.20 to \$0.30 per 115,000 BTUs to more effectively incentivize local fuel production.

Third, Blue Planet supports moving the effective and applicable date to July 1, 2014 to immediately maximize the production of biofuels.

Fourth, Blue Planet supports an annual cap of \$6 million, which is roughly equivalent to 30 million gallons of production per year. This is more aligned with the use of ethanol in recent years, at approximately 45 millions gallons. Thus, raising the annual limit will be more effective in replacing a meaningful portion of our imported fossil fuels.

Thank you for the opportunity to testify.





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**HB2060**

Submitted on: 3/24/2014

Testimony for WAM on Mar 25, 2014 09:05AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brian Leighton	Individual	Support	No

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**LATE**

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Honolulu, Hawaii 96826  
Tel: (808) 371-1475  
[www.REACHhawaii.org](http://www.REACHhawaii.org)

**Testimony of ERIK KVAM**  
**President of Renewable Energy Action Coalition of Hawaii**  
**e-mail: [Kvam@REACHhawaii.org](mailto:Kvam@REACHhawaii.org)**

**In SUPPORT of HB 2060 HD 2 SD1 RELATING TO TAXATION**

**Before the**  
**SENATE COMMITTEE ON WAYS AND MEANS**

**Tuesday, March 25, 2014 9:05 a.m.**

Aloha Chair Ige, Vice-Chair Kidani and members of the Committee.

My name is Erik Kvam. I am the President of Renewable Energy Action Coalition of Hawaii (REACH), a trade association whose vision is a Hawaiian energy economy based 100% on renewable sources indigenous to Hawaii.

REACH is in **SUPPORT** of HB 2060 HD 2 SD1.

Hawaii is far behind in achieving its renewable goals for transportation. Transportation fuels account for about two-thirds of all the energy consumed in Hawaii. Virtually all of Hawaii's energy for transportation comes from imported fuels.

Without renewable fuel production from sources indigenous to Hawaii, Hawaii will have virtually no fuel available for critical transportation needs when imported fuels stop flowing to Hawaii.

REACH **SUPPORTS** HB 2060 HD 2 SD1 – creating a production tax credit of so-many cents per 115,000 BTUs of renewable fuels produced from sources indigenous to Hawaii -- to encourage the development of renewable fuel production from sources indigenous to

Hawaii, so that Hawaii has the transportation fuels it needs when imported fuels stop flowing to Hawaii.

Thank you for providing this opportunity to testify.

**LATE**



**Directors**

Jody Allione  
Silver Ridge

Joe Boivin  
Hawaii Gas

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

HB 2060 HD2 SD1, Relating to Taxation

March 25, 2014

Chair Ige, Vice-Chair Kldani and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically- sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of HB 2060 HD2 SD1 are to: (i) establish a renewable fuels production tax credit to achieve greater energy security for Hawaii, and (iii) repeal the Ethanol Facility Tax Credit.

HREA **strongly supports** this measure with the following comments:

- 1) Meeting Our Clean Energy. This measure supports our clean energy goals by encouraging business opportunities in the production of renewable fuels in Hawaii.
- 2) Merits of a Production Tax Credit (“PTC”). We believe a PTC is the best way for the state to support biofuel production in Hawaii. With a PTC, a “producer” gets paid when the producer actually produces, not when he installs his production facility. This reduces the risk to the state significantly. The PTC has other features that we find attractive:
  - a) we believe the PTC will be easy to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii; and
  - b) the PTC will help facilitate effective producer-ag grower relationships to grow renewable feedstocks for the production of local renewable fuels.
- 3) Recommendations. We recommend that the committee pass out this measure to help us me our Clean Energy Goals to meet 70% of our transportation needs with renewable fuels by 2030.

Mahalo for this opportunity to testify.