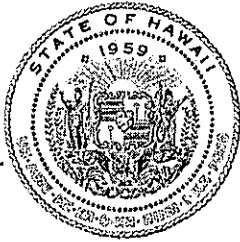


SB 2195

Measure Title: RELATING TO RENEWABLE ENERGY.

Report Title: Renewable Energy Tax Credit; Joint Report; Appropriation (\$)

Description: Requires the department of taxation, in collaboration with the department of business, economic development, and tourism, to submit a joint report to the legislature each year that is related to renewable energy technology properties, the total cost of renewable energy tax credit to the State, and the estimated economic benefit of renewable energy tax credit for each of the previous four taxable years. Appropriates funds to respective departments to submit report.



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY 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
Director
Department of Business, Economic Development, and Tourism
Before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, February 4, 2014
3:15 p.m.
State Capitol, Conference Room 225
in consideration of

**SB 2195
RELATING TO RENEWABLE ENERGY.**

Chair Gabbard, Vice Chair Ruderman, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) respectfully offers comments on SB 2195, which requires the Department of Taxation in collaboration with DBEDT, to submit a joint report to the Legislature related to the renewable energy tax credits and appropriates funds to each Department to effectuate the measure.

In order for DBEDT to provide the necessary information and analysis proposed under Section 2 to the Department of Taxation for this report, we would need to use the appropriated funds to develop, collect information, and complete a comprehensive economic analysis to survey renewable energy companies.

DBEDT respectfully defers to the Department of Taxation on the availability of tax-related data and information, and the necessary activities required to effectuate the measure.

Thank you for the opportunity to provide comments on SB 2195.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Energy and Environment

Date: Tuesday, February 4, 2014
Time: 3:15 P.M.
Place: Conference Room 225, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 2195, Relating to Renewable Energy

The Department of Taxation (Department) appreciates the intent of S.B. 2195, and provides the following information and comments for your consideration.

S.B. 2195 requires the Department in collaboration with the Department of Business, Economic Development and Tourism (DBEDT) to submit a yearly report to the Legislature providing specified information related to renewable energy tax credits.

The Department is not be able to comply with the requirement that the report be submitted to the Legislature no later than twenty days prior to the convening of the regular session, with the data from the previous four taxable years. Taxpayers do not file their tax returns until after the close of the taxpayer's taxable year. As a result, the Department generally does not receive all the tax returns for a taxable year until approximately 15 months **after** the close of the taxable year. Thereafter, Department statistical staff must then manually aggregate any renewable energy tax credit from returns which are not electronically process by the computer system.

The Department notes that it would be unable to provide the information requested in paragraph (1), as it does not have specific data on the number or types of properties, but merely aggregate data on the credit amounts claimed by taxpayers. The Department is also unable to comply with paragraph (3), which requires an economic benefit analysis, as the Department does not perform dynamic economic analysis using tax data; instead, the Department defers to

Department of Taxation Testimony
ENE SB 2197
February 4, 2014
Page 2 of 2

DBEDT regarding its ability to comply with the provision. The Department also notes that there is currently no renewable energy production credit as mentioned in subparagraph (2)(C).

Thank you for the opportunity to provide comments.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

Testimony of the Hawaii Solar Energy Association
In Support of SB 2195, Relating to Renewable Energy
Before the Joint Senate Committees on Energy and Environment
and Commerce and Consumer Protection
Tuesday, February 4, 2014

Chairs Gabbard and Baker, Vice-Chairs Ruderman and Taniguchi and members of the Committees, my name is Leslie Cole-Brooks and I am the Executive Director of the Hawaii Solar Energy Association (HSEA). We strongly support the passage of SB 2195.

HSEA has long argued that the protracted legislative battles over the costs, benefits and effectiveness of the various the State of Hawaii tax incentives has generally been a tempest in a tea pot. This has been particularly so with respect to the renewable energy technologies income tax credit (HRS-235-12.5). Despite the heated rhetoric, it has been abundantly clear that no government agency has had the real time data required to make accurate judgments on the costs and benefits of the renewable income tax credits.

DoTax's historic brief has been to report on one side of the ledger; what things cost. Lately they have not even been able to do that on a timely basis. Not since 2005 has DoTax published its detailed annual report entitled Tax Credits Claimed By Hawaii Residents. These reports also lagged by a year or so and were inconsistent in quality and value, but, at a minimum, anyone interested could take a look at their numbers.

HSEA has long argued that it should be DBEDT's role to balance this ledger by measuring the benefits of any tax incentive presumed to be enacted in the public interest. Sure this takes work, but it is work that must be done in support of sound public policy.

SB 2195 will go a long way to close this dangerous information gap. Renewable energy is too important to our statutory HCEI requirements, our economy, and our ratepayers to continue guessing at what it costs and benefits all of us.

HSEA requests that SB 2195 be amended to include information on individual adjusted gross income (AGI). In addition, the information requested should be reported by island as well as aggregated for the entire state. In the interest of clarity, we also recommend that (1) (A) Type of Technology should be broken out by Wind, PV and Solar Water Heating and whether the project was residential or commercial in nature.

Once DoTax and DBEDT develop their methodologies and spreadsheets to parse this data it will be an invaluable tool in analyzing the cost and effectiveness of other State of Hawaii tax incentives. Thank you for the opportunity to present our views.



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 ENERGY AND ENVIRONMENTAL PROTECTION

SB 2195, RELATING TO RENEWABLE ENERGY

February 4, 2014

Chair Gabbard, Vice-Chair Ruderman 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 SB 2195 are to: (i) require the department of taxation, in collaboration with the department of business, economic development, and tourism, to submit a joint report to the legislature each year that is related to renewable energy technology properties, the total cost of renewable energy tax credit to the State, and the estimated economic benefit of renewable energy tax credit for each of the previous four taxable years; and (ii) appropriate funds to respective departments to submit report.

HREA **strongly supports** as it will help us keep track of the benefits and costs of the Renewable Technologies Income Tax Credit in support of our attainment of our clean energy goals.

Mahalo for this opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Report on renewable energy tax credits

BILL NUMBER: SB 2195

INTRODUCED BY: Gabbard, Chun Oakland and 6 Democrats

BRIEF SUMMARY: Directs the department of taxation, in collaboration with the department of business, economic development, and tourism (DBEDT) to submit a joint report to the convening of each regular session of the legislature on the following: (1) the number of renewable energy technology properties that have qualified for a tax credit in each of the previous four taxable years by type of technology and type of entity; (2) the total cost of the tax credit to the state during the past four taxable years by type of technology and type of entity; and type of tax credit (investment or production) and whether the credit is refundable or nonrefundable; and (3) the estimated economic benefit attributable to the renewable energy tax credit in each of the previous four taxable years, including the impact on the economy and jobs.

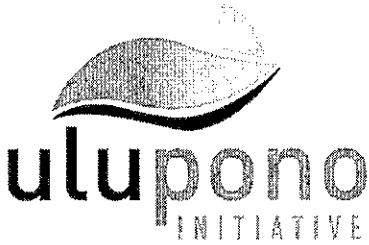
Appropriates \$100,000 in general funds to the department of taxation and \$100,000 to DBEDT for fiscal year 2015 to submit a joint report to the legislature related to renewable energy technology properties, the total cost of renewable energy tax credit to the state, and the estimated economic benefit of renewable energy tax credits for each of the previous four taxable years.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: The proposed measure would require the department of taxation and DBEDT to submit an annual report to the legislature on renewable energy technology properties including the cost to the state of the renewable energy tax credits. Given that these tax credits are a back door expenditure of public dollars, the granting of these preferences should be subjected to the same scrutiny that the appropriation and expenditure of tax dollars which are subjected to under the procurement code.

Regardless, the taxpayers deserve to know how much is being provided in these tax incentives where there is no apparent evidence that the claiming taxpayer needs relief from an undue tax burden. While appropriations are made to the department of taxation and DBEDT, consideration should be given to ensure that sufficient staff is also provided for the study.

Digested 2/3/14



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday, February 4, 2014 – 3:15 p.m. – Room 225

Ulupono Initiative Strongly Supports SB 2195, Relating to Renewable Energy

Dear Chair Gabbard, Vice Chair Ruderman 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 strongly supports SB 2195, which appropriates funds to the Department of Taxation (DOTAX) and Department of Business, Economic Development, and Tourism (DBEDT) to determine the economic costs and benefits of renewable energy technologies.

Last session, Ulupono was apart of a coalition comprised of interested stakeholders in the solar industry. The intent was to balance the economic cost to the State budget while continuing to incentivize residents to use renewable energy sources such as solar photovoltaic. Our belief was a gradual reduction of the solar tax credits would be the best outcome for all parties. However, DOTAX's new rules and miscommunication led to an overly restrictive policy that is hurting solar companies, thousands of local construction workers, and the general public who wants to obtain photovoltaic panels for their homes.

Last session, DOTAX and DBEDT had different economic figures, which led to uncertainty. This bill would help both departments determine the most accurate figure by working together. The intent is for organizations like Ulupono to use the data by DOTAX and DBEDT to help inform stakeholders of the most balanced, yet economically feasible, course of action.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

Email: communications@ulupono.com

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