

STAND. COM. REP. NO. 3067

Honolulu, Hawaii

MAR 24 2016

RE: H.B. No. 1689  
H.D. 2  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Transportation and Energy, to which was referred H.B. No. 1689, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the existing ethanol facility income tax credit to include facilities that produce other renewable fuels.

Your Committee received testimony in support of this measure from Ulopono Initiative; BioEnergy Hawaii; Renewable Energy Action Coalition of Hawaii; Hawaii Renewable Energy Alliance; Hawaii Renewable Resources, LLC; and one individual. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Tax Foundation of Hawai'i; and Hawaii Gas.

Act 289, Session Laws of Hawaii (SLH) 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the State. Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to further amend the ethanol facility tax credit to encompass facilities that produce other renewable fuels.

Your Committee finds that ethanol has become obsolete as a fuel additive. 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.

Your Committee finds that this measure has the potential to open the door for significant renewable energy investment in the State, therefore helping Hawaii become more self-sufficient in its energy supply.

Your Committee has amended this measure by:

- (1) Clarifying a facility's nameplate capacity by defining that one gallon shall be equal to 76,330 British thermal units, as defined by the United States Department of Energy;
- (2) Changing the date in which a qualifying renewable fuels production facility must be in production to qualify for the credit from January 1, 2017, to January 1, 2020; and
- (3) Amending the definition of "qualifying renewable fuel" by deleting the requirement that to qualify for the tax credit, any renewable feedstock that was transported more than five hundred miles be determined to serve a legitimate public purpose.

As affirmed by the record of votes of the members of your Committee on Transportation and Energy that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1689, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1689, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

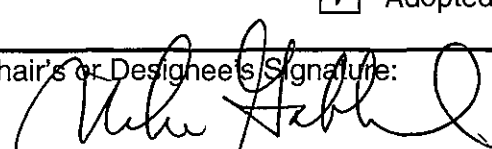
Respectfully submitted on  
behalf of the members of the  
Committee on Transportation and  
Energy,

  
LORRAINE R. INOUE, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Transportation and Energy**  
**TRE**

Bill / Resolution No.:* <i>HB 1689, HD 2</i>	Committee Referral: <i>TRE, NAM</i>	Date: <i>03-22-16</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
INOUE, Lorraine R. (C)	✓			
GABBARD, Mike (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
ENGLISH, J. Kalani				✓
KIDANI, Michelle N.				✓
NISHIHARA, Clarence K.	✓			
SLOM, Sam				✓
<b>TOTAL</b>	<i>4</i>	<i>—</i>	<i>—</i>	<i>3</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes