

Honolulu, Hawaii

March 24, 2016

RE: S.B. No. 2652
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 2652, 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:

- (1) Establish a five-year renewable fuels production income tax credit;
- (2) Require the Department of Business, Economic Development, and Tourism to certify all tax credits and submit a report regarding the production and sale of renewable fuels to the Governor and Legislature each year; and
- (3) Repeal the existing ethanol facility tax credit.

For the purposes of a public hearing on this measure, your Committee circulated a proposed draft, and notified the public that it would be accepting testimony on the proposal, which adds language establishing an organic foods production tax credit to this measure as received. Specifically, the proposed draft allows qualified taxpayers to claim an income tax credit to offset the costs incurred in obtaining organic certification and producing organically produced agricultural products.



The Hawaii Renewable Energy Alliance; Renewable Energy Action Coalition of Hawaii; Pacific Biodiesel; Hawaii Center for Food Safety; Farm Lovers Farmers Market; Ulupono Initiative; Blue Planet Foundation; Hawaii Renewable Resources, LLC; Hawaii Gas; Hawaii Energy Policy Forum; and an individual supported the proposed draft. The Department of Agriculture; Department of Business, Economic Development, and Tourism; Department of Taxation; and Tax Foundation of Hawaii provided comments on the proposed draft.

Your Committee considered the merits of both S.B. No. 2652, S.D. 2, as received by your Committee, and the proposed draft, and upon careful consideration, adopted the proposed draft.

Your Committee has further amended the proposed draft by:

- (1) Changing the certifying agency for the organic foods production tax credit to the Department of Agriculture; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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. 2652, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2652, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

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



CHRIS LEE, Chair



