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To: The Honorable Chris Lee, Chair
and Members of the House Committee on Energy & Environmental Protection

Date: February 2, 2016
Time: 8:30 A.M.
Place: Conference Room 325, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1927, Relating to Solar Tax Credits.

The Department of Taxation (Department) appreciates the intent of H.B. 1927, but has concerns about its ability to administer the provisions of this bill and offers the following comments for your consideration.

H.B. 1927 intends to provide an income tax credit for solar air conditioning units or systems to public schools equal to 40% of the cost of the unit or system.

First, the Department also notes that this measure would create a double benefit under income tax law. Donations of this type would likely be eligible for an income tax deduction as a charitable gift. The Department suggests adding language disallowing charitable deductions for donated systems for which this tax credit are claimed.

Second, the Department notes that it may be necessary to change the definition of "actual cost" as it applies to solar-powered air conditioning units. It is the Department's position that only the portion of the system that converts solar energy into useable electricity or thermal energy is eligible for the tax credit under the existing section 235-12.5, Hawaii Revised Statutes. The definition of "actual cost" must be amended to include the air-cooling components a solar-powered air conditioning unit, if that is the intent of the bill.

Finally, the Department suggests that the measure be clarified to specify how the \$1 million cap per system will be applied. Under the current administrative rules relating to this credit, the per system caps are determined by "total output capacity" of the equipment installed and placed in service. For commercial property, each system must have a "total output capacity" of one megawatt.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for Solar to Cool Schools

BILL NUMBER: HB 1927

INTRODUCED BY: FUKUMOTO CHANG, MATSUMOTO, POUHA, THIELEN

EXECUTIVE SUMMARY: Proposes an income tax credit for solar-powered air conditioning units or solar energy systems specifically designed to provide electricity for air conditioning units for schools. The proposed credit would result in a subsidy of such devices as it would merely grant a tax credit for such purchase irrespective of a taxpayer's need for tax relief.

BRIEF SUMMARY: Amends HRS section 235-12.5, the renewable energy technologies income tax credit, to allow credits for each solar-powered air conditioning unit or solar energy system specifically designed to provide electricity for air conditioning units on public school property, provided that the only purpose of the solar energy system is to use energy from the sun to provide electricity to an air conditioning unit for use by the public school. The amount of the credit shall be 40% of the actual cost of the system or \$1 million per system for public school property. Public school property is defined to mean all public school buildings and grounds.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: It appears that this measure is proposed to encourage taxpayers to build or buy solar-powered air conditioning units to cool the schools.

Lawmakers need to remember two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount. The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as kind about the expenditure of these funds when there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

Utilizing tax credits other than to alleviate an excessive tax burden cannot be justified and is of a questionable benefit relative to the cost for all taxpayers. If lawmakers want to cool the schools, then a direct appropriation to subsidize that cost would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested 1/29/2016



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 2, 2016, 8:30 A.M.

Room 325

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 1927

Aloha Chair Lee, Vice Chair Lowen, and Committee members:

Blue Planet Foundation supports HB 1927, which would provide an investment tax credit of 40% on donations of solar air conditioning systems to public school properties. House Bill 1927 can clear a path for cooler classrooms, cleaner energy, and lower energy costs. If the Committee is considering clarifications or amendments to the bill, we suggest applying an appropriate standard to the definition of “solar-powered air conditioning unit” such that qualifying units would be required to cool using 100% renewable energy. In the alternative, qualifying units should at least meet minimum performance standards (ensuring that the tax credit will not incentivize air conditioning units that use a nominal amount of solar power but a much greater amount of grid power).

Thank you for the opportunity to testify.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO HB 1927, RELATING TO SOLAR TAX CREDITS
BEFORE THE
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
ON
TUESDAY, FEBRUARY 2, 2016**

Chair Lee, Vice-Chair Lowen and members of the committee, my name is Hajime Alabanza and I represent the Hawaii Solar Energy Association, Inc. (HSEA)

HSEA supports HB 1927. This measure provides a 35% tax incentive for residential and commercial solar air conditioning (or solar PV powered conventional residential and air conditioning), and a 40% credit for these technologies – which we presume is taken by the installing contractor – if deployed in public schools.

The Associated Press recently reported in September of 2015 that 93% of public schools in Hawaii do not have air conditioning units throughout the entire school. That same report used thermal imaging that revealed that some classrooms can reach well over 90 degrees Fahrenheit in the summer months.

A significant tax credit like the one proposed in HB 1927 would recover much of the cost of these installations. In addition, the energy used to power the air conditioners would not further tax the electric grid, as they would run on solar energy.

Thank you for the opportunity to testify.

EEPtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 01, 2016 12:14 PM
To: EEPtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB1927 on Feb 2, 2016 08:30AM*

HB1927

Submitted on: 2/1/2016

Testimony for EEP on Feb 2, 2016 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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DAVID Y. IGE
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KATHRYN S. MATAYOSHI
SUPERINTENDENT

LATE

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/02/2016

Time: 08:30 AM

Location: 325

Committee: House Energy & Environmental
Protection

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 1927 RELATING TO SOLAR TAX CREDITS.

Purpose of Bill: Allows a tax credit for individual and corporate taxpayers that provide either solar-powered air conditioning units or solar energy systems specifically designed to provide electricity for air conditioning units for schools.

Department's Position:

The Department of Education (DOE) supports H.B. No. 1927.

It is a priority of the DOE to provide heat abatement measures to as many of our classrooms as we can within available resources while still striving towards energy efficiency and renewable energy generation.

H.B. No. 1927 provides an incentive for individuals and businesses to donate to the DOE solar-powered air conditioning units and solar energy systems which will assist us with these efforts. However, we defer to the Department of Taxation for possible implementation and budget concerns.

Thank you for this opportunity to testify on this measure.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 02, 2016 7:21 AM
To: EEPTestimony
Cc: nami.nielipinski@hipowersolar.com
Subject: Submitted testimony for HB1927 on Feb 2, 2016 08:30AM



HB1927

Submitted on: 2/2/2016

Testimony for EEP on Feb 2, 2016 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Nami Nielipinski	Hi-Power Solar	Support	Yes

Comments: Good morning Representatives and attendees. My name is Nami Nielipinski, representing Hi-Power Solar. Thank you for introducing this wonderful bill. We strongly support HB1927 because it will facilitate public interest in helping the public schools reduce their energy costs, as well as get the State of Hawaii closer and faster to our 100%-clean-energy-goal-by-2045. In terms of logistics/cost guidelines, there are two ways in which donors may choose: One is to go with a pre-packaged solar A/C unit with a built-in battery such as Climatech. Their 1,200 BTU off-grid A/C unit may run around \$7,000 to \$8,000 per unit, and a classroom may use one of two units depending on the size. Climatech uses no-brand panels and parts from China, Lilon-cobolt battery is toxic & can explode, as far as we know tax credits can only be taken partially for the solar panel portion, and may break down in a few years. Another is to go with a high-quality, stand-alone battery unit and a brand-name panel and A/C. In this case, as far as we know donor can claim tax credits on not just the panels but also the battery. If there is already an existing A/C unit in the classroom, the stand-alone battery/panel system can hook up to it, eliminating the need to purchase separate A/C. The A/C portion cannot be claimed as part of renewable energy tax credit, however the battery can. At Hi-Power Solar we offer high-quality brand battery/panel systems such as Sony Blue Ion battery, SunPower or Mitsubishi panels and everything else available on the market. Doing it that way will provide the classrooms more serviceable, safe, non-hazardous/toxic, outdoor-ready and long-lasting solution to their energy needs. Life expectancy of Sony Blue Ion battery is 21 years (warranty 10) and most brand name panels have life expectancy of 30 years (warranty 25). We can also assist in A/C installation through Misubishi or any other reputable dealers. For customized systems, prices vary depending on sizing. Our design team will be happy to sit down with donors and go over specifics any time. Thank you. Hi-Power Solar Nami Nielipinski Call or text: 840-7243
nami.nielipinski@hipowersolar.com

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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