

SB1295

Measure Title: RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

Report Title: Natural Energy Laboratory of Hawaii Authority; Inter-agency Agreements; Department of Businesses, Economic Development, and Tourism; Enterprise Zone Incentives; Renewable Energy Technology

Description: Allows the natural energy laboratory of Hawaii authority to enter into inter-agency agreements with the department of business, economic development, and tourism without a memorandum of agreement or memorandum of understanding. Specifies required terms for inter-agency agreements and provides enterprise zone incentives for qualified renewable energy technology business activity within the enterprise zone.

Companion:

Package: None

Current Referral: GVO/EDT/ENE, CPN/WAM

Introducer(s): DELA CRUZ, INOUYE

<u>Sort by Date</u>		Status Text
1/29/2015	S	Introduced.
1/29/2015	S	Passed First Reading.
1/29/2015	S	Referred to GVO/EDT/ENE, CPN.
2/5/2015	S	The committee(s) on GVO/EDT/ENE has scheduled a public hearing on 02-12-15 1:15PM in conference room 414.
2/5/2015	S	Re-Referred to GVO/EDT/ENE, CPN/WAM.
2/12/2015	S	The committee(s) on ENE recommend(s) that the measure be PASSED, UNAMENDED. The votes in ENE were as follows: 3 Aye(s): Senator(s) Gabbard, Galuteria, Ihara; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Green, Slom.
2/12/2015	S	The committee(s) on GVO recommend(s) that the measure be PASSED, UNAMENDED. The votes in GVO were as follows: 3 Aye(s): Senator(s) Dela Cruz, Nishihara, Ihara; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Tokuda, Slom.
2/12/2015	S	The committee(s) on EDT recommend(s) that the measure be PASSED, UNAMENDED. The votes in EDT were as follows: 4 Aye(s): Senator(s) Wakai, Chun Oakland, Dela Cruz, Harimoto; Aye(s) with reservations: none ; 0 No(es): none; and 3 Excused: Senator(s) Slom, Baker, Espero.
2/18/2015	S	Reported from GVO/EDT/ENE (Stand. Com. Rep. No. 241) with recommendation of passage on Second Reading and referral to CPN/WAM.
2/18/2015	S	Report adopted; Passed Second Reading and referred to CPN/WAM.
2/27/2015	S	The committee(s) on CPN/WAM will hold a public decision making on 03-03-15 1:00PM in conference room 211.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
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To: The Honorable Rosalyn H. Baker, Chair
and Members of the Senate Committee on Commerce and Consumer Protection

The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, March 3, 2015
Time: 1:00 P.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1295, Relating to the Natural Energy Laboratory of Hawaii Authority

The Department of Taxation (Department) provides the following comments regarding S.B. 1295 for your consideration.

S.B. 1295 allows the Department of Business, Economic Development, and Tourism (DBEDT) to enter into inter-agency agreements with the Natural Energy Laboratory of Hawaii Authority without entering into a memorandum of agreement or memorandum of understanding. S.B. 1295 additionally provides the same incentives as are offered to enterprise zone participants to entities whose business activity is located on real property under the control of the authority, and includes the research, development, and commercialization of renewable energy technology. This measure is effective July 1, 2015.

The Department notes that the Enterprise Zone program is administered by DBEDT and the Department retains authority over the tax filings. Qualifying Enterprise Zone activities qualify for a General Excise Tax (GET) exemption and substantial income tax credits for seven years.

S.B. 1295 provides these Enterprise Zone tax benefits to taxpayers without DBEDT oversight. DBEDT oversight is very important to enforcing compliance with the requirements of the Enterprise Zone program. Since wind energy is already an eligible business activity for the purposes of the Enterprise Zone program, the Department suggests that the renewable energy activities proposed in the measure be added as an "eligible business activity" under the

Enterprise Zone statutes, or in the alternative, restate the tax benefits offered in these new laws rather than making references to the Enterprise Zone program.

Finally, the Department notes that the Renewable Energy Technologies Income Tax Credit (RETITC) at section 235-12.5, Hawaii Revised Statutes, provides a tax credit for installing and placing in service systems that convert sources of renewable energy into electricity or thermal heat. If the activities being contemplated in this measure include the placing in service of renewable energy systems, then multiple tax benefits would become available. This means that the RETITC would be provided at the outset of the project, GET would not be imposed on any revenues for seven years, and substantial income tax credits would also be provided for seven years.

Thank you for the opportunity to provide comments.



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

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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WRITTEN

Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEES ON COMMERCE AND CONSUMER PROTECTION, AND
WAYS AND MEANS**

Tuesday, March 03, 2015

1:00 p.m.

State Capitol, Conference Room 211

in consideration of
SB 1295

**RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII
AUTHORITY.**

Chairs Baker and Tokuda and Vice Chairs Taniguchi and Kouchi and Members of the
Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports
the intent of this bill provided that its passage does not replace or adversely impact priorities
indicated in the Executive Budget; and provided that special enterprise zone incentives be
limited only to the following renewable energy technologies: Ocean Thermal Energy
Conversion (OTEC), solar, and hydrogen research and development.

DBEDT defers to the Department of Taxation for the State revenue implications of this
bill.

Thank you for the opportunity to provide these comments.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
and
COMMITTEE ON WAYS AND MEANS

Tuesday, March 3, 2015
1:00 pm
State Capitol, Conference Room 211

in consideration of
SB 1295
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

The Natural Energy Laboratory of Hawaii Authority (NELHA) strongly supports S.B. 1295 that amends Chapter 209E, Hawaii Revised Statutes, by adding language that would make businesses operating within research and technology parks established by NELHA eligible for the State's enterprise zone program. This measure would assist NELHA in attracting new projects to our technology park.

This measure will broaden the scope of businesses eligible for EZ benefits within our technology park. We recently adopted a new Master Plan for the Hawaii Ocean Science and Technology Park. Much of the remaining lands available for lease are in zones designated for renewable energy and applied technology. Chapter 209E currently allows businesses engaged in producing wind energy only to be qualified as eligible for EZ benefits. Many new businesses

and projects that we are targeting may not qualify for EZ status given the current narrow definition.

We have been successful because the Legislature has given us the “tools” to allow us to succeed. This measure will add an additional tool to help us realize the goals of growing our economic development project and increasing the \$5M in annual State tax revenue that the park already generates.

Thank you for the opportunity to offer these comments.