

**SB 350**



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

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GOVERNOR

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

Tuesday, February 3, 2015  
2:45 p.m.  
State Capitol, Conference Room 225

in consideration of  
**SB 350**

**RELATING TO RENEWABLE ENERGY.**

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

The Department of Business, Economic Development & Tourism (DBEDT) respectfully offers comments on SB 350, 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 for this report relating to economic impact, the Department may need tax-related data and information from the Department of Taxation. 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 350.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



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

Date: Tuesday, February 3, 2015  
Time: 2:45 p.m.  
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 350, Relating to Renewable Energy

Department of Taxation (Department) appreciates the intent of S.B. 350, and provides the following information and comments for the committee's consideration.

S.B. 350 requires the Department, in collaboration with the Department of Business, Economic Development and Tourism (DBEDT), submit a yearly report to the Legislature providing certain specific information related to renewable energy tax credits. S.B. 350 appropriates \$100,000 each to the Department and DBEDT for costs to prepare the required joint report.

The Department is unable 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. Because taxpayers are not required to file their tax returns until after the close of the taxpayer's taxable year, the Department generally does not receive and process all tax returns for a taxable year until approximately 15 months **after** the close of the taxable year.

Delays in generating tax credit data for a tax year is due to a number of factors, including the fact that taxpayers have twelve months to properly claim the tax credit. Additionally, entities that claim the credit may file tax returns which are not electronically processed, requiring Department statistical staff to manually aggregate any renewable energy tax credit claims from the returns which are not electronically processed by the computer system. Reporting any data prior to completing processing of the returns claiming the credit will provide skewed and unreliable data.

The Department notes that it is 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), as much of the information requested is non-tax information and requires dynamic economic

analysis that the Department does not perform. The Department defers to DBEDT regarding its ability to perform this type of analysis.

The Department currently provides aggregate tax data on the credit amounts claimed by taxpayers (individuals, corporations, banks and other financial institutions) on its report on Tax Credits Claimed by Hawaii Taxpayers (Tax Credits), which is available on the Department's website. Table 4 of the Tax Credits report for tax year 2011 is included below for the Committee's reference. The Tax Credits report for tax year 2012 has been finalized and will be available through our website shortly.

Table 4. Claims for the Renewable Energy Technologies Income Tax Credit in Tax Year 2011

**Carry over of the tax credit for systems installed and placed in service before July 1, 2009**

Number of returns 1/			Credit amount		
All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
745	719	26	\$2,709,840	\$1,172,562	\$1,537,278

**Refundable tax credits for systems installed and placed in service on or after July 1, 2009**

	Number of returns 1/			Credit amount		
	All	Individuals	Corporations and others	All	Individuals	Corporations and others 2/
<b>Solar only</b>	2,999	2,975	24	\$28,521,487	\$22,768,915	\$5,752,572
<b>Wind only</b>	37	37	0	129,419	129,419	0
<b>Solar &amp; wind</b>	19	19	0	92,181	92,181	0
<b>Unknown</b>	157	151	6	3,788,148	3,687,821	100,327
<b>Total</b>	3,212	3,182	30	\$32,531,235	\$26,678,336	\$5,852,899

**Nonrefundable tax credits for systems installed and placed in service on or after July 1, 2009**

	Number of returns 1/			Credit amount		
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
<b>Solar only</b>	7,125	7,088	37	\$38,574,335	\$36,395,393	\$2,178,942
<b>Wind only</b>	22	22	0	61,954	61,954	0
<b>Solar &amp; wind</b>	53	53	0	222,318	222,318	0
<b>Unknown</b>	1,008	1,005	3	4,405,254	3,649,249	756,005
<b>Total</b>	8,208	8,168	40	\$43,263,861	\$40,328,914	\$2,934,947

1/ Number of tax returns with a claim for at least one tax credit in tax year 2011, including carryovers of tax credits claimed in a prior year.

2/ Includes nonfinancial corporations, fiduciaries, nonprofit organizations and financial corporations.

To provide an estimated economic benefit as required in paragraph (3), the Department suggests amending the measure to require installers of the renewable energy to report the information to DBEDT, similar to the reporting requirement in section 235-110.91 (i), (j), (k), and (l), Hawaii Revised Statutes. The installers of the renewable energy systems are best able to provide the data requested under this measure, including reporting their general excise and income taxes paid for each taxable year, and job creation data.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Report on renewable energy tax credits

BILL NUMBER: SB 350

INTRODUCED BY: Gabbard, Espero, Galuteria, Green, Ihara, Ruderman and 1 Democrat

BRIEF SUMMARY: Directs the department of taxation (DOTAX), 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 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 DOTAX and \$100,000 to DBEDT for fiscal year 2016 and 2017 for necessary costs to submit a joint report to the legislature.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The proposed measure would require DOTAX 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, they should be subjected to the same scrutiny that the appropriation and expenditure of tax dollars are subjected to under the procurement code.

In any event, 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.

Appropriations are made to DOTAX and DBEDT, but consideration should be given to ensure that sufficient staff is also provided for the study.

Digested 2/2/15