

**SB 705**

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

Date: Tuesday, February 03, 2015  
Time: 2:45 P.M.  
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 705, Relating to General Excise Tax

The Department of Taxation (Department) appreciates the intent of S.B. 705 and provides the following comments for your consideration.

S.B. 705 creates a general excise tax (GET) exemption for amounts received for the construction, sale, installation, service, repair, modification, improvement, or lease of alternative fuel vehicles, electric vehicle batteries, and electric vehicle infrastructure. S.B. 705 defines electric vehicle infrastructure as "structures, machinery, and equipment necessary to support an electric vehicle."

The Department appreciates the intent of this bill to incentivize the use of renewable energy but notes that the exemption is very broad. The bill defines electric vehicle infrastructure and includes three specific examples: battery charging stations, battery exchange stations, and rapid charging stations. However, the bill does nothing to limit what may further qualify as electric vehicle infrastructure under the general language of "necessary to support an electric vehicle". As drafted S.B. 705 could exempt an entire construction project merely because the completed project will house a battery charging station or was deemed "necessary to support an electric vehicle" by the taxpayer claiming the exemption.

The Department suggests narrowing the exemption by limiting electric vehicle infrastructure to only battery charging stations, battery exchange stations, and rapid charging stations or by removing electric vehicle infrastructure from the exemption altogether.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

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**SUBJECT:** GENERAL EXCISE, Exempt clean alternative fuel vehicles, electric vehicle batteries and infrastructure

**BILL NUMBER:** SB 705

**INTRODUCED BY:** Gabbard, Galuteria, Ihara, Inouye

**BRIEF SUMMARY:** Adds a new section to HRS chapter 237 to exempt from the general excise tax, the gross proceeds received from the construction, sale, installation, service, repair, modification, improvement, or lease of: (1) new passenger motor vehicles that use at least four wheels, are designed for transporting no more than ten passengers, and are exclusively powered by a clean alternative fuel; (2) electric vehicle batteries; and (3) electric vehicle infrastructure.

Defines “battery charging station,” “battery exchange station,” “clean alternative fuel,” “electric vehicle infrastructure” and “rapid charging station” for purposes of the measure.

Requires the seller to keep records necessary for the department of taxation to verify eligibility under this section. Permits sellers to make a tax exempt sale if the buyer provides the seller with an exemption certification in a form and manner prescribed by the director of taxation. The seller shall retain a copy of the certificate for the seller’s files.

Repeals this act on January 1, 2019.

**EFFECTIVE DATE:** Gross proceeds received after December 31, 2015

**STAFF COMMENTS:** This measure proposes a general excise tax exemption to encourage and accelerate the use of clean alternative fuel vehicles, electric vehicle batteries and electric vehicle infrastructure. It is questionable whether a tax credit is necessary. Consumers are buying non-fossil fuel vehicles, such as electric vehicles and non-gasoline vehicles, so infrastructure is necessary to recharge and refuel these vehicles. Development of this infrastructure will occur regardless of the credit.

As such, it seems that the adoption of this measure would merely result in a handout of state funds without regard to a taxpayer’s need for tax relief. The state sorely needs those funds at this point. Put another way, the cost of the exemption steals from funds that could have been used for other worthy programs.

Finally, it should be remembered that while it may seem like this proposal is reducing the cost of such vehicles and facilities, the general excise tax is not a tax on the consumer, but on the business. We would like to think that the savings would be passed on to the consumer, but there is no guarantee that this will happen.

Digested 2/2/15



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**Testimony of ERIK KVAM**  
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**In SUPPORT of SB 705 RELATING TO GENERAL EXCISE TAX**

**Before the  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

**February 3, 2015 2:45 p.m.**

Aloha Chair Gabbard, Vice-Chair Green and members of the Committee.

My name is Erik Kvam. I am the President of Renewable Energy Action Coalition of Hawaii (REACH). REACH is a trade association whose vision is a Hawaiian energy economy based 100% on renewable sources indigenous to Hawaii.

REACH is in **SUPPORT** of SB 705.

Hawaii is far behind in achieving its renewable energy goals for transportation. Transportation fuels account for about two-thirds of all the energy consumed in Hawaii. Virtually all of Hawaii's energy for transportation comes from imported fuels.

Without a vehicle fleet powered with renewable energy – such as solar electricity and hydrogen -- from sources indigenous to Hawaii, Hawaii will not have transportation capacity for critical public needs when imported fuels stop flowing to Hawaii.

REACH **SUPPORTS** SB 705 – creating a general excise tax exemption on gross proceeds received from the sale of clean alternative fuel vehicles, electric vehicle batteries and electrical vehicle infrastructure -- to encourage the development of a vehicle fleet powered with renewable energy from sources indigenous to Hawaii, so that Hawaii

has the renewable energy-powered vehicles it needs when imported fuels stop flowing to Hawaii.

Thank you for providing this opportunity to testify.



## SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

February 3, 2015, 2:45 P.M., Room 225

(Testimony is 1 pages long)

### TESTIMONY IN SUPPORT OF SB 705

Chair Gabbard and members of the Energy and Environment Committee:

Blue Planet Foundation **supports** SB 705, which incentivizes the uptake of clean alternative fuel vehicles and related infrastructure through a general excise tax exemption.

The clean alternative fuel vehicle market is a nascent industry in Hawaii, with electric vehicles (EVs) currently representing only 0.2% of registered vehicles. The state has a substantial interest in *promoting* this market as approximately \$2 billion is drained from the state's economy annually to import the gasoline and diesel needed to fuel the more than 1.3 million registered vehicles throughout Hawaii.

While it is true that the electricity sector in Hawaii is still highly reliant on oil, even with electricity produced with oil, EVs are significantly more efficient than gasoline powered vehicles. While the average gasoline powered car in Hawaii gets approximately 21 MPG<sup>1</sup>, the electricity generated with a gallon of oil can drive an EV for more than 65 miles.<sup>2</sup> This means less carbon pollution and fewer dollars sent out of the state to pay for imported fossil fuels. Instead, those dollars stay in Hawaii, circulating through our economy to create jobs and increase tax revenue.

As the share of electricity generated from renewable sources of energy grows, EVs will generate ever-larger benefits for the state. Additionally, in a virtuous cycle, the more EVs deployed in the state, the more these "rolling batteries" can help to lower overall energy costs by supporting the grid and accelerating the replacement of expensive fossil fuels with cost-effective renewable energy.

EVs are an integral part of our clean energy mix, and we ask that the Committee pass this measure in the interest of solidifying the State's commitment to a clean energy future.

Thank you for the opportunity to testify.

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<sup>1</sup> Data from the State of Hawaii Data Book, tables on fuel consumption and vehicle miles travelled.

<sup>2</sup> Date from the Department of Business, Economic Development & Tourism, Monthly Energy Trends.



Aloha Committee Members,

On behalf of EV Structure I would like to strongly support SB705 that would provide a general excise tax exemption on gross proceeds received from the construction, sale, installation, service, repair, modification, improvement, or lease of clean alternative fuel vehicles, electric vehicle batteries, and electrical vehicle infrastructure.

Financial incentives like those proposed in SB705 encourage and reward Hawaii resident's that chose to drive electric vehicles and contribute to the Hawaii Clean Energy Initiative goal of reducing the use of petroleum in ground transportation by 70%, or approximately 385 MGY by 2030.

Mahalo for your consideration,

Justine Espiritu

[www.evstructure.com](http://www.evstructure.com)