

STAND. COM. REP. NO.

480

Honolulu, Hawaii

FEB 17 2017

RE: S.B. No. 361
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Transportation and Energy, to which was referred S.B. No. 361 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY STORAGE,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a tax incentive for energy storage to support the development of energy storage for residential, commercial, and utility-scale systems.

More specifically, this measure:

- (1) Establishes an income tax credit for taxpayers who purchase and install eligible energy storage systems where the amount of credit depends on type of system installed, filing status, and federal adjusted gross income of the taxpayer beginning with taxable years after 2017;
- (2) Allows excess credit to carry-over to subsequent tax years or be refundable under certain conditions; and
- (3) Amends the reusable energy technologies tax credit to harmonize definitions.

Your Committee received testimony in support of this measure from the Hawaii Solar Energy Association; Distributed Energy



Resources Council of Hawaii; Air-Conditioning, Heating and Refrigeration Institute; Amber Kinetics; and three individuals. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy. Your Committee received comments on this measure from the Department of Taxation; Department of Business, Economic Development, and Tourism; Tax Foundation of Hawaii; and Ulupono Initiative.

Your Committee finds that supporting the growth and development of alternative energy is essential to the future health of the State. A strong local economy depends on a transition away from traditional, imported fuel sources and toward renewable, local resources. The Legislature has recognized the importance of this transition and has established a goal of a one hundred percent renewable energy economy in the State by 2045. One way to advance the transition to renewable sources of energy is to incentivize the adoption of renewable energy storage systems through a tax credit. Your Committee, however, understands the concerns raised in testimony that a tax credit, such as one targeting renewable energy storage systems, should be fiscally responsible. It is therefore important to ensure that those to whom the credit is available do not abuse the tax incentive system and to establish an end date for the incentive program.

Your Committee has amended this measure by:


- (1) Clarifying that owners and not users of energy storage systems are eligible for the tax credits;
- (2) Establishing a cap for the tax credit available to owners of combined energy storage and solar energy systems;
- (3) Inserting language that no tax credit may be claimed for taxable years beginning after December 31, 2035;
- (4) Requiring the Department of Business, Economic Development, and Tourism to conduct a study and report to the Legislature on, among other things, the adoption of energy storage systems in the State and the impact of the tax credit; and



- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Transportation and Energy that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 361, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 361, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Transportation and
Energy,


LORRAINE R. INOUE, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Transportation and Energy
TRE

Bill / Resolution No.:* SB 361	Committee Referral: TRE, WAM	Date: 2/15/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
INOUE, Lorraine R. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani				/
HARIMOTO, Breene				/
SHIMABUKURO, Maile S.L.	/			
TOTAL	3			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes