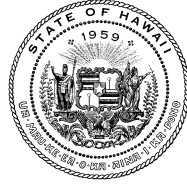


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DEPUTY DIRECTOR

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

Date: Friday, February 24, 2017
Time: 9:35 A.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 910, S.D. 1, Relating to Renewable Fuels Tax Credit

The Department of Taxation (Department) supports the intent of S.B. 910, S.D. 1, an Administration measure, and provides the following comments for your consideration.

S.B. 910, S.D. 1 amends the renewable fuels production tax credit to change the procedure by which claims for the credit are certified by the Department of Business, Economic Development, and Tourism (DBEDT). Instead of the former certification requirements, taxpayers claiming the tax credit must submit a survey providing information regarding the type of fuel produced, the feedstock used, the amount of credit, and the number of employees of the facility in which the fuel is produced. The measure is effective for taxable calendar years beginning after December 31, 2017.

S.D. 1 contains a new provision that makes the taxpayer claiming the credit responsible for any costs related to obtaining the certification. The Department suggests clarifying this provision because it is unclear whether this clause refers to the taxpayer's costs in compiling the necessary information, or the agency's cost related to setting up a certification system. Under current law this tax credit does not have certification fee; if the intent is for taxpayers to pay a fee to offset administrative costs, it should be specified.

The Department has no objection to the certification being conducted by survey as described in this measure and is able to implement this measure with the current effective date.

Thank you for the opportunity to provide comments.



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

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

February 24, 2017
9:35 a.m.
State Capitol, Conference Room 211

in consideration of
SB910, SD1
RELATING TO RENEWABLE FUELS TAX CREDIT.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **supports and offers amendments** to SB910, SD1, an Administration bill to amend Section 235-110.31 that replaces DBEDT's requirements associated with the certification, administration, and verification of the renewable fuels production tax credit with a survey of the renewable fuels production tax credit via a certified statement to be filed by the taxpayer to DBEDT.

DBEDT supports this bill because we lack the resources and expertise required to effectively conduct the certification, verification and administration requirements under the existing Section 235-110.31. Specifically, DBEDT lacks: (1) expertise in tax accounting; (2) specific knowledge of fuels production industries sufficient to verify the actual renewable fuels production and sale; and (3) the necessary resources, including management database, budget and human resources to administer its requirements.

Statutory amendments in this bill will align DBEDT's existing resources and expertise with statutory requirements while still providing for DBEDT to collect data about the tax credit effectiveness and report the findings to the Governor and Legislature.

Respectfully referring the Legislature to page 8, lines 6-19 and page 9, lines 1-7 of the measure, we recommend the following amendments to clarify that tax payer claiming the credit

is required to file an independent third-party certified statement at their sole expense with DBEDT:

"Not later than thirty days following the close of the calendar year, every taxpayer claiming a credit under this section shall complete and file [a] an independent third-party certified statement, at the taxpayer's sole expense, with the department of business, economic development, and tourism in the form prescribed by the department of business, economic development, and tourism providing the following information:

(1) The type, quantity, and British thermal unit value, using the lower heating value, of each qualified fuel, broken down by the type of fuel, produced and sold during the previous calendar year;

(2) The feedstock used for each type of qualified fuel;

(3) The proposed total amount of credit to which the taxpayer is entitled;

(4) The number of full-time and number of part-time employees of the facility and those employees' states of residency, totaled per state; and

(5) The number and location of all renewable fuel production facilities within and outside of the State[~~; provided that the taxpayer claiming the credit is responsible for any costs related to obtaining the certification~~]."

DBEDT defers to the Department of Taxation on any impacts on its duties pertaining to the administration of the renewable fuels tax credit in this bill.

Thank you for the opportunity to offer these comments in support of this SB910, SD1.