



STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov



To: The Honorable Lorraine R. Inouye, Chair
and Members of the Senate Committee on Transportation

Date: Wednesday, February 6, 2019
Time: 1:15 P.M.
Place: Conference Room 225, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 438, Relating to Taxation

The Department of Taxation (Department) offers the following comments regarding S.B. 438 for the Committee's consideration.

S.B. 438 establishes a new nonrefundable income tax credit for taxpayers who install or operate an electric vehicle charging system that is made available for public use. A summary of key provisions are as follows:

- Adds a new section to chapter 235, Hawaii Revised Statutes (HRS), establishing an electric vehicle charging system tax credit;
- Sets the amount of the credit as equal to an unspecified percentage of the qualified costs that the taxpayer incurred to install or operate the system during the taxable year;
- Caps the credit at an unspecified maximum dollar amount;
- Provides that unless otherwise provided by law, use of the system must be provided to the public in order to qualify for the credit;
- Establishes a carryforward by which if the credit exceeds the taxpayer's net income tax liability, the excess of credit may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted;
- Authorizes the Director of Taxation (Director) to require the taxpayer to furnish information to verify the taxpayer's claim for the credit;
- Defines "electric vehicle charging system" as having the same meaning as in section 291-71, HRS;
- Defines "qualified costs" as meaning all costs and expenses directly resulting from the installation and operation of an electric vehicle charging system that is made available for public use; and
- Applies to taxable years beginning after December 31, 2018.

First, the Department notes that section 291-71, HRS, defines “electric vehicle charging system” as a system that:

- (1) Is capable of providing electricity from a non-vehicle source to charge the batteries of one or more electric vehicles;
- (2) Meets recognized standards, including Standard SAE J1772 of SAE International; and
- (3) Is designed and installed in compliance with Article 625 of the National Electrical Code.

The Department appreciates the inclusion of a definition of “electric vehicle charging system” in this measure, but notes that it lacks the subject-matter expertise to properly verify compliance with the definition’s three criteria. The criteria are vague, but both of the institutions mentioned in subsection (2) and (3) appear to be comprised of expert industry professionals. SAE standards are published by SAE International, which describes itself as “a global association of more than 128,000 engineers and related technical experts in the aerospace, automotive and commercial-vehicle industries.” The National Electrical Code is published by the National Fire Protection Association, which describes itself as “the leading information and knowledge resource on fire, electrical, and related hazards.” A review of both Standard SAE J1772 and Article 625 of the National Electrical Code indicates that significant familiarity with electrical engineering is required to properly interpret and apply its guidance. Moreover, most of the “standards”-related documents on SAE International’s appear to be behind a paywall. Thus, the Department respectfully suggests that another agency with the necessary technical expertise be required to certify the credit.

Second, the Department notes that the measure’s definition of “qualified costs” is very broad. The Department recommends amending the definition to specifically enumerate the installation and operational costs that the legislature wishes to include in the definition, such as permitting, construction, and insurance. Including a specific list of items will help minimize taxpayer confusion, prevent improper claims and abuse of the credit, and avoid unexpected losses in revenue.

Third, the Department suggests adding a provision that specifies that for pass-through entities such as partnerships, the credit amount is determined at the entity level and that distribution of the credit must be consistent with Internal Revenue Code section 704.

Finally, the Department respectfully requests that this new income tax credit be made available for taxable years beginning after December 31, 2019. This will allow the Department sufficient time to make the necessary form and instruction changes to properly administer the new credit.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Electric Vehicle Charging System Tax Credit

BILL NUMBER: SB 438

INTRODUCED BY: RUDERMAN, HARIMOTO, Gabbard, Ihara

EXECUTIVE SUMMARY: Provides an income tax credit to taxpayers who install or operate an electric vehicle charging system that is available for use by the public. A direct appropriation would be preferable as it would provide some accountability for the taxpayer funds being utilized to support this effort. Meaning, we as taxpayers know what we're getting and we know how much we're paying for it.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish the credit. The credit applies to an electric vehicle charging system that the taxpayer installs and places in service during the taxable year. The amount of the credit would be ___% of the qualified costs incurred by the taxpayer to install or operate the system during the taxable year up to a maximum of \$_____ in qualified costs in any taxable year. Requires that unless otherwise provided by law, use of the electric vehicle charging system is provided to the public.

The credit is not refundable but may be carried forward until exhausted.

Provides that all claims for this credit, including any amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credits may be claimed.

Defines "electric vehicle charging system" by reference to HRS section 291-71.

Defines "qualified costs" as all costs and expenses directly resulting from the installation and operation of an electric vehicle charging system that is made available for public use."

EFFECTIVE DATE: Taxable years beginning after December 31, 2018.

STAFF COMMENTS: Lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount. The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize the purchase of this type of equipment, then a direct appropriation would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation may be a far less costly method to accomplish the same thing.

Digested 2/2/2019

SB-438

Submitted on: 2/3/2019 10:05:29 AM

Testimony for TRS on 2/6/2019 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Noel Morin	Testifying for Big Island EV Association	Support	No

Comments:

Aloha,

I'm testifying on behalf of the Big Island Electric Vehicle Association.

Charging stations are critical to adoption of electric vehicles. While many Hawaii residents can rely on their home charging stations to keep their vehicles charged, many must rely on public charging stations, e.g., EV owners who live off-grid and those who live in multi-dwelling situations (condos and apartments). While our charging station infrastructure is improving with more commercial and county stations coming on line annually, there is an opportunity for private stations to be part of the solution. This is especially important in rural areas, away from major commercial areas. This situation exists on Hawaii Island.

Necessity and generosity (and the desire to expand EV adoption) have prompted some EV owners to make their home chargers available to the public. You can find these stations on Plugshare.com. The number is small but it does indicate the potential.

SB438 will encourage others to open their stations to the public and should be considered as another strategy to enable more rapid expansion of charging infrastructure.

I should note that EV owners may need to invest in changes to allow their stations to be more accessible - relocating existing stations or investing in stations that allow for measurement of energy being dispensed, or tools to allow for billing are just some of these considerations.

Please consider supporting SB438.

Sincerely,

Noel Morin

Big Island Electric Vehicle Association

**TESTIMONY BEFORE THE
SENATE COMMITTEE ON TRANSPORTATION**

S.B. 438

Relating to Transportation

Wednesday, February 6, 2019
1:15 PM, Agenda # 10
State Capitol, Conference Room 225

Brennon Morioka
Director, Electrification of Transportation
Hawaiian Electric Company, Inc.

Aloha Chair Inouye, Vice Chair Harimoto and Members of the Committee,

My name is Brennon Morioka and I am testifying on behalf of Hawaiian Electric Company Inc. and its subsidiary utilities Maui Electric Company, Limited and Hawai'i Electric Light Company, Inc. ("the Hawaiian Electric Companies") in support of SB 438, Relating to Tax Credits, which proposes to allow tax credits for electric vehicle ("EV") charging systems.

S.B. 438 has the potential to be a landmark bill for EV charging in the state, by taking an important step towards supporting and incentivizing the development of one of the crucial components of a clean transportation future. As a developer of electric vehicle charging infrastructure, the Hawaiian Electric Companies recognize that the robust availability of vehicle charging infrastructure is essential to reducing barriers to adoption of electric vehicles. Studies have shown that the availability of public vehicle charging is a key factor when car buyers consider purchasing a new electric vehicle, even if the customer ultimately intends to charge solely at their residence.

The Hawaiian Electric Companies appreciate the many challenges individuals and organizations face when trying to convert to electrified transport. In particular, the upfront cost to purchase and install charging equipment can be daunting, and S.B. 438 promises to alleviate these concerns for many future electric vehicle drivers and facility owners. Providing increased access to EV charging in public, at workplaces, commercial locations, and multi-family buildings are all key priorities identified in the Companies' *Electrification of Transportation Strategic Roadmap*. This bill will continue the tremendous progress that the state has made towards a cleaner and more sustainable transportation future.

As one of the leaders in the state's clean transportation efforts, the Hawaiian Electric Companies remain committed to an EV strategy that is sustainable and helps create a bridge to a cleaner future. Thank you for the opportunity to testify on S.B. 438.



John Uekawa, President
Dave Rolf, Executive Director

HADA TESTIMONY WITH STRONG SUPPORT
for SB438

RELATING TO TAXATION

Presented to the Senate Committee on Transportation
At the Public Hearing, 1:15 p.m. Wednesday, February 6, 2019
Conference Room 225, Hawaii State Capitol

Chair Inouye, Vice Chair Harimoto and members of the committee:

HADA members offer their strong support for this bill which seeks to provide an income tax credit to taxpayers who install or operate an electric vehicle charging system that is available for use by the public, unless otherwise required by law.

With the transition to electric vehicles and other renewable fuel vehicles taking place in the automotive sector, many auto manufacturers are encouraging their franchised auto dealers to install electric vehicle charging stations.

Many of these stations at dealerships are currently made available to the general public.

This bill proposes to adapt Hawaii tax policy to encourage the installation of these stations.

HADA members support the measure and encourage the committee's favorable consideration to move the measure forward this session.

Respectfully submitted,
David H. Rolf
For the Members of the Hawaii Automobile Dealers Association



SanHi

GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 5, 2019

TO: Senator Lorraine Inouye
Chair, Senate Committee on Transportation
Submitted Via Capitol Website

FROM: Tiffany Yajima

RE: **S.B. 438 – Relating to Taxation**
Hearing Date: Wednesday, February 6, 2019 at 1:15 p.m.
Conference Room: 225

Dear Chair Inouye and Members of the Committee on Transportation:

We submit this testimony in support of S.B. 438 on behalf of the Alliance of Automobile Manufacturers (“Alliance”).

The Alliance is a trade association of twelve car and light truck manufacturers including BMW Group, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of North America, and Volvo Car USA.

S.B. 438 would establish a tax credit for the installation and operation of electric vehicle charging systems that are made available for public use. Hawaii has one of the highest rates of adoption of passenger electric vehicles in the nation and currently there are over 8,330 passenger electric vehicles registered in the state. Although the number of electric vehicles registrations in the state continues to increase, a larger network of electric vehicle charging infrastructure is essential to greater adoption of electric vehicles.

This measure would incentivize the installation of public electric vehicle charging systems in the state. Incentives that facilitate the build out of electric vehicle charging stations will help to make electric vehicles a more viable option for consumers and would encourage consumer uptake of passenger electric vehicles in Hawaii.

Thank you for the opportunity to submit testimony on this measure.



LATE

Email: communications@ulupono.com

SENATE COMMITTEE ON TRANSPORTATION
Wednesday, February 6, 2019 — 1:15 p.m. — Room 225

Ulupono Initiative Supports SB 438 with Amendments, Relating to Taxation

Dear Chair Inouye, Vice Chair Harimoto, and Members of the Committee:

My name is Murray Clay and I am the Managing Partner of Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable clean renewable energy; and better manage waste and fresh water resources.

Ulupono supports SB 438 with amendments, which provides an income tax credit to taxpayers who install or operate an electric vehicle charging system that is available for use by the public, because it will increase the use of more efficient, cleaner forms of transportation and help to reduce Hawai'i's dependence on imported fossil fuels.

Electric vehicles (EVs) are an important avenue to address Hawai'i's pressing climate issues and align with the State's energy and environmental goals. While Hawai'i's electric power sector continues to make progress toward its 100 percent renewable portfolio standard (RPS) mandate, our transportation sector has received little attention. Providing a financial incentive for building EV charging infrastructure is a critical component of encouraging cleaner transportation.

EVs currently offer an effective option to progress clean renewable ground transportation and immediate benefits to Hawai'i:

- EVs can alleviate Hawai'i's high cost of living
- EVs provide immediate impact to reduce our dependence on fossil fuels and decrease greenhouse gas (GHG) emissions
- EVs are prime for market acceleration
- Hawai'i should be doing more to promote EVs and EV infrastructure

EVs Can Alleviate Hawai'i's High Cost of Living

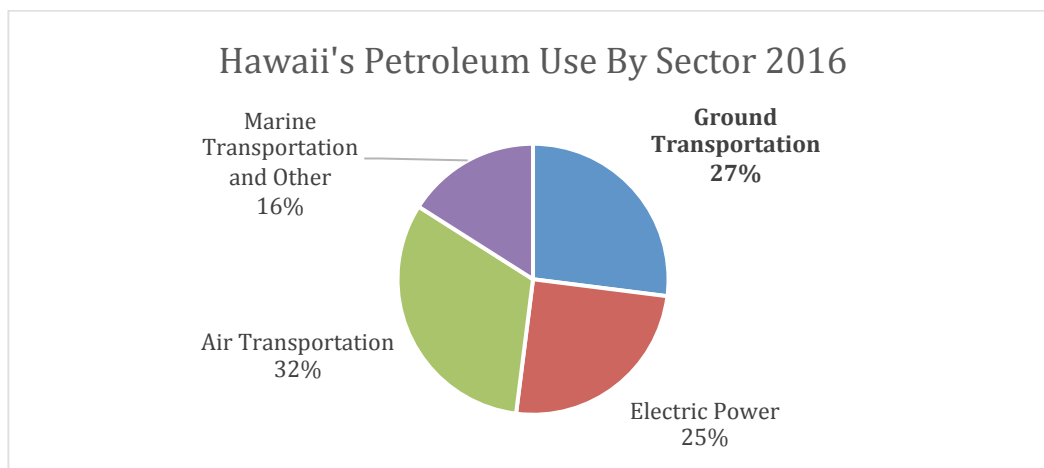
EVs are an increasingly affordable option for all. For example, the 2019 Nissan Leaf's starting MSRP is \$29,990. After the Federal tax credit is considered, the purchase price is \$22,490, which is less than the average 2019 Toyota Camry and 2019 Honda Civic (the two best-selling sedans in the country).

Investing in a Sustainable Hawai'i

EVs are also cheaper to operate and maintain because they have less moving parts and are more fuel efficient. According to a recent study by the Union of Concerned Scientists, Honolulu drivers could save more than \$500 per year by switching to an EV.

EVs Provide Immediate Energy and Environmental Impact

Ground transportation alone utilizes more than a quarter of the state’s imported petroleum. Electrifying ground transportation will reduce our demand for imported fossil fuels, keeping millions of dollars in the state and cutting harmful pollution.



Source: Hawaii State Energy Office – Hawaii Energy Facts & Figures

Converting from petroleum-based vehicles to EVs immediately reduces GHG emissions, helping combat climate change and its impacts on our islands. EVs produce zero-emissions at the tailpipe, and even when full lifecycle emissions (from manufacturing through disposal) are considered, EV emissions are approximately 50 percent lower than internal combustion engine (ICE) vehicles.

Furthermore, EVs can support the integration of more renewables on the electric grid with smart charging technology and rate structures. Thus, proliferating EVs throughout Hawai‘i can help accelerate progress towards the State’s 100 percent RPS goal, as well as contribute to the State’s Paris Agreement commitments and carbon neutral goal.

EVs Are Prime For Market Acceleration

From a market perspective, EV adoption in Hawai‘i has shown impressive growth, with the state ranking second in the nation behind California in the number of EVs per capita. As of November 2018, there were over 8,000 passenger EVs registered in Hawai‘i, a 24 percent growth from the previous year. This progress is despite not having strong supporting policies as seen in other states, municipalities and countries.

Based on global and local trends, these adoption numbers are expected to increase exponentially by 2030. Major automobile manufacturers, from Volvo to Volkswagen, have

revealed plans to offer electric versions of all their vehicle models. Even Ford announced it will build an all-electric F-150 pickup truck, the #1 selling vehicle in the country. Policies across the globe are further supporting this transition; in fact, Britain and France have committed to end sales of gas-powered vehicles by 2040.

However, we simply cannot wait. A new report by the United Nation Intergovernmental Panel on Climate Change warns global human-caused emissions of carbon dioxide need to fall 45 percent by 2030, and it will “require rapid, far-reaching and unprecedented changes in all aspects of society.” We must be proactive and act now with strong policy.

Hawai‘i Should Be Doing More

EVs are the future, but they currently only represent less than one percent of all passenger vehicles in the state. Hawai‘i must encourage this still nascent market and be prepared with the necessary infrastructure.

Public EV charging stations are a vital component of the EV system. They provide access to charging for drivers who may not be able to charge at home, such as residents who live in multi-unit dwellings, and alleviate range anxiety for all EV drivers, a top-cited barrier to purchasing EVs. Similar to the benefits that community solar offers to renters and apartment residents, public chargers open up the opportunity and feasibility of owning an EV to more people, increasing equity and access.

Additionally, public charging stations can promote the adoption of EVs in the tourism industry and rental car fleets. According to a survey we commissioned in June 2018, 56 percent of visitors said they probably would have rented an EV if the option were available to them. Of the respondents that indicated they probably would not rent an EV, the top reason for not wanting to rent one was concerns about driving range and finding a charging station. Increasing the number and visibility of public charging stations should encourage rental car companies to add EV options.

Hawai‘i’s EV charging infrastructure has not kept up with current demand and is ill-prepared for future projected EV adoption levels. In October 2015, there were eight EVs for every public charging station in Hawai‘i, and in June 2018, there were 13 EVs per charger. This worsening ratio implies it is becoming more difficult for EV owners to find public charging stations and signals inadequate infrastructure support for EVs, which impedes EV adoption and our transition away from fossil fuel vehicles.

Based on our experience as investors of multiple charging station companies, it is currently financially challenging for private businesses to own and operate charging stations. Another challenge for private entities is supplying charging stations in underserved areas, which are particularly unprofitable due to underutilization but are needed to provide broad EV coverage. An EV charging station tax credit program would reduce the financial burden and promote the proliferation of EV charging stations, helping ensure an encompassing charging network that serves low-income and multi-unit dwellings residents



across the island.

More than 25 other states and municipalities, including Delaware, Maryland and Pennsylvania, recognize the importance of EV infrastructure and already offer generous EV charging station incentive programs. To build momentum, UluPono recently partnered with Hawai'i Energy to fund and launch a pilot EV charging station rebate program. The limited pilot, which ends in June 2019, aims to promote the installation of Level 2 charging stations at workplaces and multi-unit dwellings, and to demonstrate the potential of a larger, statewide incentive program.

If the State of Hawai'i is serious about the sustainability and resiliency of our communities, it should encourage EVs and EV infrastructure.

Recommended Amendments

UluPono strongly supports the intent and concept of this bill and offers the following amendments for the committee's consideration:

1. Apply the tax credit to the qualified costs incurred by the taxpayer to install or upgrade the EV charging system. Operating costs should not be eligible.

2. Vary the tax credit percentage and cap depending on whether it's a new installation or an upgrade to an existing unit, based on the level of charging:

	<u>Level 2 – Single Port</u>	<u>Level 2 – 2+ Ports</u>	<u>Level 3</u>
New Charger: Percent of Cost	30%	50%	70%
New Charger: Credit Cap	\$2,000	\$6,000	\$35,000
Upgrade Charger: Percent of Cost		50%	70%
Upgrade Charger: Credit Cap		\$3,000	\$28,000

3. Limit the total tax credit funding to \$3 million per year. Given this relatively modest amount of funding, more than 350 new/upgraded stations could be added. This increase would represent 61 percent growth from the current number of charging stations in Hawai'i.

As Hawai'i's energy issues become increasingly complex and challenging, we appreciate this committee's efforts to look at policies that support clean ground transportation.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

SB-438

Submitted on: 2/5/2019 12:33:18 PM

Testimony for TRS on 2/6/2019 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

LATE

SB-438

Submitted on: 2/5/2019 8:29:07 PM

Testimony for TRS on 2/6/2019 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Douglas Perrine	Individual	Support	No

Comments:

Please pass SB428, which will help Hawaii achieve its goals of moving to renewable energy sources and reducing greenhouse gas emissions.

LATE

SB-438

Submitted on: 2/5/2019 8:42:07 PM

Testimony for TRS on 2/6/2019 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Tracy Adams	Individual	Support	No

Comments:

With the governor's renewable energy goals, the number of environmentally conscious electric vehicle owners, and the amount of sunshine we have in the islands, I feel having a tax incentive for businesses, multi-unit home complexes, and shopping malls throughout our state should definitely be encouraged by having more public access charging stations. I would really like to see more solar powered EV charging stations as well. Through tax incentives, charging station subsidy programs currently available and solar powered opportunities combined we can lower the cost of electricity as a whole for everyone and increase availability for every EV car driver.

Even if a small fee is charged for the use of a public charging station, it will increase availability to the current number of EV car owners and also encourage others to purchase their own EV car as they see the availability of charging stations grow closer to the number of gas stations on each island and every corner.

Respectfully submitted,
Tracy Adams

LATE

SB-438

Submitted on: 2/5/2019 7:10:54 PM

Testimony for TRS on 2/6/2019 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Gary Miller	Individual	Support	No

Comments:

LATE

SB-438

Submitted on: 2/5/2019 6:36:41 PM

Testimony for TRS on 2/6/2019 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jared	Individual	Support	No

Comments:

I support this.

Thank you,

Jared