DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director
Department of Taxation

Date: February 16, 2021
Time: 2:00 P.M.
Place: Via Videoconference, Hawaii State Capitol

Re: H.B. 1142, H.D.1, Relating to Energy

The Department of Taxation (Department) offers the following comments regarding H.B. 1142, H.D. 1, for your consideration.

H.B. 1142, H.D. 1, adds a 1% General Excise Tax (GET) surcharge on gross proceeds derived from the sale of passenger cars and pickup trucks powered solely by gasoline that have a published manufacturer's suggested retail price of $50,000 or more. The new surcharge has a defective effective date of July 1, 2050 and would be repealed on June 30, 2030.

The Department respectfully requests the new surcharge be effective no earlier than January 1, 2022 to give the Department sufficient time to amend its forms, instructions, and computer system.

Thank you for the opportunity to provide comments.

HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-3807
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Web: energy.hawaii.gov

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Tuesday, February 16, 2021
2:00 P.M.
Via Videoconference

COMMENTS on
HB 1142 HD1
RELATING TO ENERGY

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments for HB 1142 HD1, which establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems and establishes the electric vehicle charging system subaccount within the public utilities commission special fund.

HB 1142 HD1 aligns with the State's efforts to expand strategies and mechanisms to reduce greenhouse gas emissions through the reduction of energy use, adoption of renewable energy, and control of air pollution among all agencies, departments, industries, and sectors, including transportation.

Emissions from ground transportation account for the largest share of energy sector emissions in the state. As noted in the 2016 Greenhouse Gas Inventory, transportation emissions in Hawaii were at 8.69 million metric tonnes of carbon dioxide equivalents, accounting for 51 percent of total energy sector emissions. Ground transportation accounted for 47 percent of the transportation emissions. For Hawaii to meet its statutory target "to sequester more greenhouse gases than emitted as soon as practicable, but no later than 2045," programs that support the adoption of cleaner transportation options are necessary and important.

Electric vehicle charging infrastructure has been noted as a barrier to electric vehicle adoption. The electric vehicle charging system rebate program aides and encourages electric vehicle adoption by providing much needed rebates to offset a portion of the cost of installing an electric vehicle charging station at commercial facilities and multi-unit dwellings statewide. The adoption and widespread deployment of electric vehicles is essential to reduce Hawaii's dependence on fossil fuels. Expanding affordable and easily accessible electric vehicle charging infrastructure is one of the tactics identified in the Hawaii Clean Energy Initiative Transportation Energy Analysis, prepared for HSEO by the International Council on Clean Transportation, which could accelerate the adoption of electric vehicles.

As the State develops plans to achieve a decarbonized ground transportation sector, it is important to ensure the necessary infrastructure is in place to enable all residents and visitors to address the effects of climate change to protect the State's economy, environment, health, and way of life. Preserving the electric vehicle charging system rebate program will help to achieve this goal.

Thank you for the opportunity to testify.

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

February 16, 2021
2:00 p.m.

Chair Johanson and Members of the Committee:

MEASURE: H.B. No. 1142 HD1
TITLE: RELATING TO ENERGY.

DESCRIPTION: Establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems. Establishes an electric vehicle charging system subaccount within the public utilities commission special fund. Sunsets 6/30/2030. Effective 7/1/2050. (HD1)

POSITION:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

COMMENTS:

The Commission supports the intent of this measure to establish a funding source for the electric vehicle charging system rebate program.

Pursuant to the recommendations of the State Auditor, the Commission is currently working to reclassify the Electric Vehicle Charging System Rebate Program Special Fund, in order to fulfill the legislative intent of Act 142 (2019) and satisfy the significant interest in the program. The Commission intends to account for these funds separately once they are transferred to the PUC Special Fund.

If this measure moves forward, <u>the Commission requests that the Committee add language appropriating funds from the PUC Special Fund to account for administration of</u>

the Electric Vehicle Charging System Rebate Program, along with a corresponding increase to the expenditure ceiling of the PUC Special Fund.

These amendments will authorize the Commission to spend the funds generated by the proposed electric vehicle infrastructure incentive surcharge once they are deposited into the PUC Special Fund. It is the Commission's understanding that if this measure is passed without appropriation language and a ceiling increase, the Commission will be unable to use the electric vehicle infrastructure surcharge funds to administer the rebate program.

Thank you for the opportunity to testify on this measure.

P.O. Box 520 l Aiea, HI 96701

To: Chair Johanson, Vice Chair Kitagawa, and Members of the House Committee on Consumer Protection & Commerce

From: Heather Cutter
Cutter Management Co.

Date: February 16, 2021 Time: 2:00 P.M; Via Videoconference, Hawaii State Capitol

Re: H.B. 1142, Relating to Energy

Cutter Management Co. ("Cutter"), and its various automobile dealerships, agree electric vehicles will play an integral role in Hawaii's clean energy future. Nonetheless, Cutter **opposes** HB 1142.

Automobile manufacturers, such as Ford and General Motors, have announced future electric vehicle options, but currently there are limited options available for purchase at our stores. Moreover, the manufacturers will not increase our allocation. Cutter supports the transition to electric vehicles and understands infrastructure is a component, but this tax seeks funding from businesses and consumers who do not have extra money to spare.

Due to Covid-19, our sales are down over 25%. We struggle to operate and pay our employees. Humbly, because of this ongoing struggle, coupled with the current limited availability of electric vehicle options, the proposed tax is untimely and, at best, premature.

Additionally, the proposed 1% surcharge on gas-powered vehicles over $50,000 will have the following consequences:

- This tax would negatively impact many local families and businesses (farmers, contractors, etc.) that require a larger vehicle, SUV, or truck, not just the wealthy seeking a luxury vehicle.
    - No electric trucks options are available for sale in the US.
    - Many trucks and SUVs cost more than $50,000.
    - Many families need one large SUV or truck rather than multiple vehicles.
- This tax would discourage consumers from locally purchasing vehicles subject to the tax. Instead of buying an electric vehicle, consumers may forgo buying a new, more fuel-efficient vehicle, and opt instead for a cheaper used vehicle with lower fuel economy and higher emissions.
- The negative impact at the dealership level may unfortunately result in additional jobs lost in our industry.

Thank you for the opportunity to testify.

TESTIMONY BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

HB 1142, HD 1

Relating to Energy

February 16, 2021
2:00 PM, Agenda Item # 11
State Capitol, Conference Room 329 / VIDEO CONFERENCE

June Chee
Program Manager, Electrification of Transportation
Hawaiian Electric Company, Inc.

Aloha Chair Johanson, Vice Chair Kitagawa, and Committee Members,

My name is June Chee and I am testifying on behalf of Hawaiian Electric Company **supporting the intent of HB1142 HD1**, Relating to Energy.

The Company supports the intent of this measure to establish an electric vehicle infrastructure incentive program to contribute funding toward charging infrastructure that will help meet the State's climate change goals and support the expected increase in electric vehicles. However, the Company also recognizes that during this challenging economic time, such a surcharge may create added burden to some businesses that are considering purchasing commercial vehicles as part of their recovery efforts.

In 2019, Hawaiian Electric conducted its Electric Vehicle Critical Backbone Study, which looked at the forecasted need for public and private electric vehicle charging infrastructure in the next 10 years. The backbone study projected a need of seven times more public charging by 2030 and an even greater need for private commercial and residential charging. This insight helped the Company focus its planning for the coming influx of electric vehicles through electrification of transportation programs such as EV-specific rates to encourage daytime charging; an electric bus make ready infrastructure pilot; a request to expand our public charging network; and our proposed Charge Ready Hawaiʻi pilot. The Charge Ready Hawaiʻi program will provide make ready infrastructure support to commercial properties, fleet owners, and multi-unit dwellings, which are key locations that serve EV charging needs of current and future EV drivers. The current EV charging system rebate program administered by Hawaii Energy has proven to be successful, widely adopted, and needed to encourage further EV and EV infrastructure adoption. The EV charging system rebate program offers cost-share for the Charge Ready Hawaiʻi pilot making EV infrastructure installation even more cost-efficient for participants.

Hawaiian Electric Company remains committed to EV strategies that are sustainable and help create a bridge to a cleaner future. Thank you for this opportunity to testify.

ulupono INITIATIVE

Email: communications@ulupono.com

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Tuesday, February 16, 2021 — 2:00 p.m.

Ulupono Initiative supports HB 1142 HD 1, Relating to Energy

Dear Chair Johanson and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports HB 1142 HD 1, which establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems and establishes an electric vehicle charging system subaccount within the Public Utilities Commission special fund.

Ulupono supports Hawai'i's reduction of fossil fuel use as we strive to meet the State's 100% renewable goal by 2045. This measure seeks to make a large impact on the renewable energy goal by placing a surcharge on the purchase of gasoline-powered vehicles over $50,000. These funds will then be reinvested into EVCS infrastructure to ensure community access to this low-cost alternative.

Ulupono finds that 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. EVs currently offer an effective option to advance clean, renewable ground transportation and provide immediate benefits to Hawai'i.

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. Public charging also alleviates 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.

This bill is critical to progress the State's carbon emission and clean transportation goals.

However, we suggest the legislators consider: i) allocating a portion of funds to specifically support EV charging infrastructure in lower income areas and more rural locations and ii) ensure that total funds raised best align with the intended primary use of funds.

Hawaiʻi Should Be Doing More

EVs are the future, but they currently only represent about one percent of all passenger vehicles in the state. Though EV sales grew by more than 40% in 2020, Hawaiʻi must encourage this still nascent market and be prepared with the necessary infrastructure.

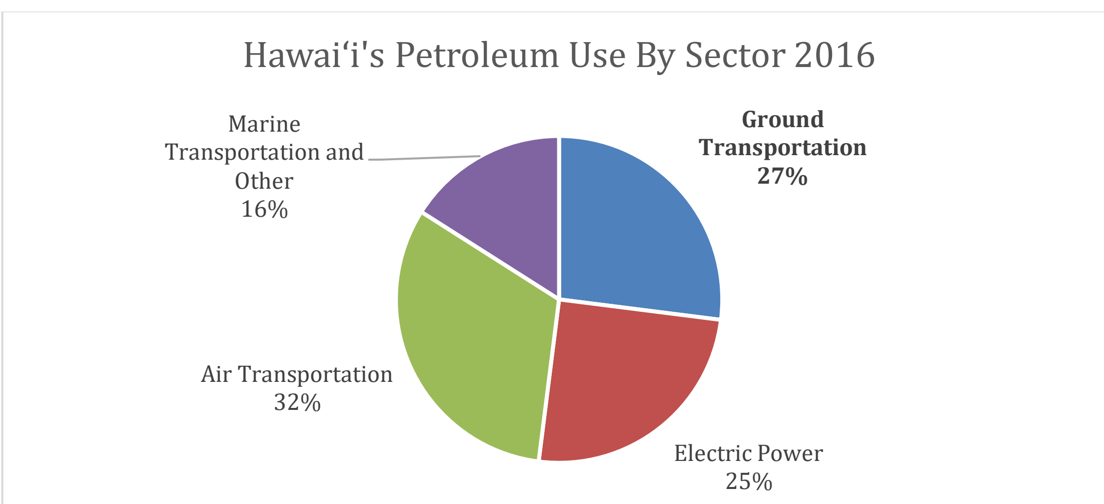
In fact, the Governor of California recently signed an executive order to eliminate the sale of new gas cars and trucks by 2035. California joins a multitude of countries and cities across Europe, as well as China and British Columbia, who have taken similar measures to eliminate the sale of new fossil fuel vehicles.

Most recently, Nissan committed to having every new vehicle in major markets (including the US) be electrified by the early 2030s, and General Motors (GM) committed to stop making gasoline and diesel cars, vans and SUVs by 2035.

The future of transportation does not depend on fossil fuels and the State of Hawaiʻi should continue to lead by example and further show the world that Hawaiʻi is serious about the sustainability and resiliency of our community by encouraging EVs as this bill proposes.

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: Hawaiʻi State Energy Office – Hawaiʻi 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.

EVs can also support the integration of more renewables on the electric grid with smart charging technology and rate structures. Thus, proliferating EVs throughout Hawaiʻi 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.

This bill is an important measure for the State to push for the decarbonization of our economy, while continuing to show the world that Hawaiʻi is a clean energy leader.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

JN GROUP

600 Puuloa Road | Honolulu, HI 96819 | 808.831.2600

February 14, 2021

Committee on Energy and Environmental Protection
Chair Lowen and Vice Chair Marten

<u>OPPOSITION</u> to HB 1142: Relating to EV Charging System Program, New Vehicle Sales. Taxing 1% on any non-EV vehicle over $50,000.

Dear Chair Lowen and Marten:

JN Group represents 26 automotive and motorcycle brands. We are locally owned and operated in Hawaii for over 60 years. We recognize a collaborative approach is needed to address Hawaii's transition to a cleaner energy future, and EVs will be a component of a more comprehensive solution. However, we are **OPPOSED to HB 1142.**

With the all the uncertainty this pandemic has brought, and the significant decline in our business, we were faced with having to furlough half of our employees at the end of March 2020. This has been challenging for us, the many small businesses who rely on our operations, and of course, our furloughed employees and their families.

Any additional tax, which will have a negative impact on the affordability of our products, will discourage planned purchases of more fuel efficient and hybrid technology vehicles. In turn, this will have a negative impact on our already struggling business to get back to normality and full employment. **<u>Tax revenue will decline and jobs will be lost.</u>**

1. According to the U.S. EPA, since 2004 CO2 emissions have decreased 23%, while fuel economy has increased 29% or 5.6 mpg. An increase in taxes will discourage consumers to transition to more fuel-efficient vehicles, thus not accelerating the decrease CO2 emissions as they hold off on major purchases. https://www.epa.gov/automotive-trends/highlights-automotive-trends-report#Highlight1

2. The average age of a vehicle on the road is 11.9 years, and 1 out of 4 are over 16 years old according to IHS Markit which tracks registrations in every State. 10 years ago, it was 10.6 years and in 2002 it was 9.6 years. This is a trend where people are keeping their vehicles longer which are not as fuel efficient as newer technologically enhanced automobiles. Increasing the cost of conversion by

adding more taxation on new vehicles IS NOT going to get less efficient vehicles off the road.

3. Manufacturers continue to invest in technology improving Fuel Efficiency, Hybrid Technology, and EV Research and Development. Technology is expensive, and there is a long development process to bring vehicles to Market. We believe in EVs being part of the solution, but not the entire solution on its own.

    a. Currently our manufacturers are not able to provide EVs on any significant level as evidenced by the (5) Chevrolet EV Bolts we at JN Chevrolet were provided out of (458) total vehicles we sold in 2020. This was entirely a result of limited manufacturing capacity and availability to dealers.

    b. Hawaii dealers do not manufacturer EVs, nor can we rely on building entire business model on EVs at this time.

4. Multi-generational family living is translated to multi-generational vehicle use. As a result, full size trucks and SUVs have been a utilitarian staple for families who share one vehicle for work, taking their kids to school, grocery shopping, and everyday life.

    a. With 72% of the vehicles sold in Hawaii being trucks or SUVs, larger family vehicles do often exceed $50,000 and even $60,000. This tax will impact a much broader group of families living on a budget.

5. TESLA is the largest user of EV charging stations and place the largest burden/demand on our utility grid of any manufacturer. TESLA should contribute and invest in EV Charging Stations since they are the #1 beneficiary and place the greatest demand on our resources. Most of our electricity in Hawaii is provided through fossil fuel production, thus the greater demand TESLA places on our grid, the greater fossil fuel production is needed by our utility.

    a. 1762 TESLA models were sold in 2020 or 3.8% of the 4.9% total share in Hawaii. This is 78% of the sales in the State.

    b. The current price of TESLA models is significantly higher than traditional forms of transportation. TESLA and these customers can afford to share in the investment in the infrastructure they primarily benefit from. Passing on the cost or taxing everyone else but TESLA is not equitable.

        i. The Model 3: Base Price without options $37,990 to $54,990. With options $65,990.

ii. The Model Y: Base Price without options \$41,990 to \$59,990
iii. The Model S: Base Price without options \$79,990 to \$139,990
iv. The Model X: Base Price without options \$89,990 to \$119,990

6. While small local businesses were struggling, laying off employees, and Hawaii auto dealers were losing \$100s of thousands of dollars a month, TESLA had its valuation increase 743%. From a paltry \$90 Billion in March 2020 to \$783 Billion this past week!

    a. Yet the Federal and State Governments continue to provide them tax subsidies or incentives without having them contribute to the infrastructure they financially benefit from.

    b. TESLA's revenue and profits leave the State of Hawaii, while their CEO lives in Texas and has no connection to the people of Hawaii, our community, or the long-term goodwill which local businesses provide.

    c. While in 2019 in Hawaii, the (68) Hawaii Automobile Dealers created 7,177 jobs, had sales of \$5.8 Billion, had a payroll of \$279 Million, creating an average salary of \$63,817 in annual earnings. This generated \$694 Million in State and Federal Income Taxes and \$269 Million in State Sales Tax.

7. Whether it's HB 1142 which taxes 1% on any non-EVs over \$50,000, or SB1309 which proposes a Luxury Tax of 10% on non-EVs over \$60,000, creating disincentives will impact an already tenuous industry struggling to come back to prior year levels in sales and employment.

    a. There is a direct correlation to increases in taxes on large consumer goods and the decline in the Automotive Industry and Employment. Take the Federal Luxury Tax of 10% which was imposed from 1991 to 2002 on vehicles over \$30,000, which captured far more than Luxury vehicles with price escalations with all vehicles over a 10 year period.

        i. This was imposed during challenging economic times, and the industry immediately saw a 23% decline in new vehicle registrations, from 16 Million registrations down to 12.3 Million in a mere 2 years.

        ii. Eventually President Bill Clinton and Congress began eliminating the tax on many industries 2 years later citing a loss in jobs. Let us not make the same mistake here in Hawaii.

8. Consumers will look to conduct their business out of the State of Hawaii. With other States not imposing a 1% Tax on $50,000 and a 10% Luxury Tax on $60,000, consumers will look to circumvent paying any taxes here in Hawaii.

    a. Buying Local will no longer be a priority for consumers. Not only is it a loss of business to Hawaii dealers, but also lost tax revenue to the State and eventually job loss to our locals.

9. Alternative Revenue: Lost opportunities from collecting General Excise Tax on Private Party Sales of Used Vehicles at the time of registration has a greater impact on improving Tax Revenue. This can be done at the DMV when Registration and Title is transferred.

    a. This also applies to Private Parties registering New and Used Vehicles brought in from Out of State to Hawaii. This is like what is practiced in California and will capture consumers wanting to avoid paying Hawaii taxes on both NEW and USED vehicles from Out of State.

Example

100,000 Private Party Used Sales Annually (not including vehicles brought into Hawaii)
$15,000 Average Sale Price
4.712% General Excise Tax
$70,680,000 in State Revenue Annually

Being born and raised here in Hawaii, I have hope we will leave this a better place for our children. I understand the need to challenge everyone in creating a cleaner energy future. To do this requires collaborative and realistic planning, understanding our constraints, and working together to navigate around the obstacles ahead of us. Theoretically tax policy like HB 1142 and SB 1309 is deconstructive to our local economy, misaligned in its responsible parties, and does not achieve the desired outcome of converting consumers to EVs in any meaningful way due to supply and technology constraints outside of the control of local Hawaii dealers. For the benefit of Hawaii, I respectfully oppose HB 1142.

Sincerely,

Brad Nicolai
President

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Surcharge on Motor Vehicle Sales

BILL NUMBER: HB 1142, HD1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems. Establishes electric vehicle charging system subaccount within the public utilities commission special fund. Sunsets 6/30/2030.

SYNOPSIS: Adds a new section to chapter 237, HRS, to establish an electric vehicle infrastructure incentive surcharge. The surcharge is 1 percentage point on all gross proceeds of selling a passenger car or pickup truck powered solely by gasoline that has a published MSRP of $50,000 or more.

Amends section 237-31, HRS, to provide that remittances of the surcharge are to be deposited in a subaccount of the public utilities commission special fund (section 269-33, HRS) to fund the electric vehicle charging system rebate program established pursuant to sections 269-72 and 269-73, HRS.

EFFECTIVE DATE: 7/1/2050, repealed on 6/30/2030.

STAFF COMMENTS: This bill proposes what is essentially a tax increase on sales of gas-powered motor vehicles.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

The proposed measure would also perpetuate the earmarking of tax revenues. Incentives for electric vehicle infrastructure may be a worthy expense if considered alone. But does that justify a GET tax hike and without going through the normal appropriation and budgeting process that also considers invasive species, unique health risks like the Wuhan coronavirus, and the aging infrastructure in our educational system?

Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund electric vehicle infrastructure, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/13/2021

Hawaii Automobile Dealers' Association

John Uekawa, President
Dave Rolf, Executive Director

HADA Testimony in OPPOSITION to HB1142 HD1
RELATING TO EV CHARGING SYSTEM PROGRAM, NEW VEHICLE SALES

Presented to the House Committee on Energy and Environmental Protection at the
Public Hearing 2 p.m. Tuesday, February 16, 2021 in Room 329
VIA VIDEO CONFERENCE
Hawaii State Capitol
by David H. Rolf for the members of the Hawaii Automobile Dealers Association

Chairs Johanson, Vice Chair Kitagawa and members of the committee:

HADA dealers oppose this new motor vehicle tax bill.

Local dealerships have invested millions and millions of their family-owned businesses' dollars in Hawaii's ongoing transition to electric vehicles.

This bill would create market disruption, just like the experience in Canada which put a luxury tax on new motor vehicles, which was later discontinued.

The Hawaii Auto Outlook being published this week, shows that one luxury EV brand accounted for 80% of EV sales in Hawaii in 2020. The result of this bill thus would be government rebates that would accrue mainly to purchasers of luxury electric vehicles.

The group of customers proposed to be taxed through this bill, however, includes tradesmen who are purchasing trucks for their work.

It is wrong to ask one group of customers to pay for the vehicle technology choice of another group of customers. Customers purchase vehicles to meet their needs.

Because of issues relating to the costs of electric vehicles, the charging time involved, the battery disposal and other issues involved with the ongoing transition, the process will continue to be an evolution. It will be a process, though, that will speed up rapidly as technology improves.

--continued on page 2---

Negative impacts of the bill include:

--fostering purchase of older, less fuel-efficient vehicles through a tax on new vehicles
--sending new vehicle purchasers to other states instead of local dealerships
--creating loss of state tax revenue
--creating a loss of business for local dealerships and commensurate loss of local jobs
--sending a dispiriting message; creating a vehicle tax during a down economic time

In total, this bill creates **a significant negative impact** on local customers, family businesses and on the local economy.

Our dealers look forward to working will all in drafting the roadmap that is needed for all to see how the distance to the goal can be covered in the shortest amount of time.

We look forward to working alongside all on this transition.

This bill's effect would unnecessarily do damage to local dealerships and the Hawaii economy when many factors are now coming into the marketplace that will foster a more rapid EV transition.

We ask that this bill, HB1142 HD1, be deferred.

Respectfully submitted,

David H. Rolf, on behalf of the dealer members of the Hawaii Automobile Dealers Association

SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 15, 2021

TO: Representative Aaron Johanson
Chair, Committee on Consumer Protection and Commerce

FROM: Tiffany Yajima / Curt Augustine

RE: **H.B. 1142 HD1, Relating to Energy**
Hearing Date: Tuesday February 16, 2021 at 2:00 p.m.
Conference Room: 329

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection and Commerce:

On behalf of the Alliance for Automotive Innovation ("Auto Innovators") we submit this testimony in **opposition** of H.B. 1142, HD1, which would establish a 1% surcharge tax on gasoline-powered vehicles with an MSRP of $50,000 or over to fund the state electric vehicle charging system rebate program.

The Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. Members include motor vehicle manufacturers, original equipment suppliers, technology, and other automotive-related companies and trade associations.

While the intent of this measure is to tax so-called "high-end" or "luxury" gasoline vehicles purchased by wealthier consumers, this tax, to fund infrastructure for electric vehicles, not only would raise the overall cost of vehicle fleets but would also raise the cost of vehicles typically purchased by families and working individuals.

Automobile manufacturers support state efforts to grow Hawaii's EV charging network but are concerned that this measure would disproportionately impact the labor, construction, and agriculture sectors, as well as other sectors of business that utilize large vehicles, such as trucks and vans, in their fleets to transport tools and materials. Currently, the only pick-up trucks available for sale in the U.S. are gasoline-powered. With no electric alternative, the majority of consumers driving pick-up trucks and vans would be subject to the tax with no other vehicle options to meet their work needs. Contractors, plumbers, electricians, tradesmen, farmers, and other workers who utilize these larger vehicles for businesses would be disproportionately impacted by this measure. Additionally, families and other consumers with special interests who require larger vehicles would be negatively impacted by this fee.

The $50,000 price point in this measure also appears to be arbitrarily set and automakers are concerned that vehicles priced below this figure may be unintentionally included in the tax as consumers add various options to their vehicles. These options are not frivolous add-ons, but can include important features like all wheel drive, navigation systems, engine/transmission upgrades, driver assist systems, and other advanced life-saving technologies. Consumers may forego these important add-ons to stay under the price point established by this bill. Moreover, we are concerned that some consumers may altogether forgo buying newer, safer, and more environmentally friendly vehicles, opting instead to purchase used vehicles or hold into their older less environmentally friendly vehicles with lower fuel economy and outdated safety features to avoid the additional tax established in this bill.

By assessing the surcharge on only gas-powered vehicles over an arbitrary price point, this measure assumes that higher priced vehicles are detrimental to the environment. There is no logical connection between price and environmental harm. In fact, according to the U.S. EPA and U.S. Department of Energy, the most fuel-efficient midsize station wagon has a cost of over $50,000. Additionally, many of the most fuel-efficient full-size vehicles cost more than the $50,000 threshold in this bill. The higher cost brought on by the surcharge could result in many cost-conscious consumers purchasing less fuel-efficient vehicles to avoid the additional fee.

In addition, the proposition of a “one-time surcharge” could impact the total amount of sales tax the state collects from vehicle sales. As with any purchase, the sale of more expensive vehicles yields more sales tax revenue for the State. The “one-time surcharge” provision could discourage consumers from purchasing vehicles subject to this additional tax.

Finally, we are concerned that this measure establishes an artificial divide between vehicles that will and will not be subject to a tax surcharge. This divide will influence consumer decisions in such a way that will ultimately impact revenue streams and negatively impact local automobile dealers who are still recovering due to the pandemic.

For these reasons we strongly oppose this measure and respectfully ask the committee to hold this bill. Thank you for the opportunity to submit this testimony.

SERVCO

SERVCO PACIFIC INC.
2850 PUKOLOA ST. STE. 300
HONOLULU, HI 96819 USA

O. 808.564.1300
F. 808.564.1393

SERVCO.COM

Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Consumer Protection & Commerce

RE: **HB 1142 HD1 - Relating to Energy – In Opposition**
February 16, 2021; Via Videoconference; 2:00 p.m.

Aloha Chair Johanson, Vice Chair Kitagawa and members of the committee:

Servco is in opposition to HB 1142 HD1, which establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems, and establishes an electric vehicle charging system subaccount within the public utilities commission special fund.

While we support the legislature's efforts to expand EV infrastructure, this one-time surcharge will not only impact purchasers of luxury gasoline-powered vehicles, but those families and small businesses that need larger vehicles, such as vans and trucks. Currently, there is no electric alternative available for pick-up trucks.

We question the arbitrary price point of $50,000. The average cost for a pick-up truck is over $50,000 and other vehicles may become subject to the surcharge as consumers add options that may include driver assist systems and other life-saving technologies.

This bill may drive cost-conscious consumers to purchase a less fuel-efficient vehicle.

For these reasons, we respectfully request that you defer this measure. Thank you for the opportunity to submit testimony.

Peter Dames
Executive Vice President

Hawaiʻi Energy

45 North King Street, Suite 500 • Honolulu, Hawaiʻi 96817 • HawaiiEnergy.com • P: (808) 839-8880 • F: (808) 441-6068

Before the House Committee on Consumer Protection & Commerce
Tuesday, February 16, 2021, 2:00pm

Testimony Providing Comments on HB1142 HD1: Relating to Energy

Chair Johanson, Vice-Chair Kitagawa, and Members of the Committee:

Thank you for the opportunity to provide comments on House Bill 1142 HD1.

Hawaiʻi Energy works to empower island families and businesses on behalf of the Hawaiʻi Public Utilities Commission (PUC) to make smart energy choices to reduce energy consumption, save money, and pursue a 100% clean energy future. Energy efficiency is the cheapest option to help us achieve our 100% clean energy goal by eliminating waste and being more efficient.

Under the Hawaiʻi Public Utilities Commission's direction, Hawaiʻi Energy has been managing the electric vehicle charging station (EVCS) rebate program that was funded in 2019 by the State Legislature and signed by the Governor as Act 142. Launched in January 2020, Act 142's total funding of $400,000 is applicable to the installation of new or the retrofit of existing Level 2 chargers and DC Fast Chargers (DCFC) that are publicly available and completed by June 30, 2021. The incentive was even highlighted by Plug-In America as a main reason why Hawaiʻi is ranked #14 in its *"Top 25 States Supporting the EV Driver"* report, just released this month.[1]

To date, the program has provided $140,500 rebates, resulting in the installation of five (5) new Level 2 chargers and the retrofit of 30 existing Level 2s and one (1) DCFC in Kauaʻi, Honolulu and Hawaiʻi counties. There are currently $241,000 worth of rebates in progress, and should all of these applications come through, they will result in an additional 24 new Level 2 chargers, 21 retrofitted Levels 2s and two (2) new DCFCs being installed. There is currently $18,500 available, and Hawaiʻi Energy is actively promoting the incentive to stakeholders and potential customers.

Based on 13 months of administering the EVCS rebate under Act 142, the current annual funding requirement is about $200,000, which could result in the installation of 44 new Level 2 chargers or retrofit of 66 existing Level 2s. Hawaiʻi Energy would also be open to extending our affordable housing bonus rebate through our current Triennial contract with the Public Utilities Commission that expires in June 2022. The bonus rebate is funded by the Public Benefits Fee for Honolulu, Maui and Hawaiʻi counties.

Thank you for the opportunity to provide comments on HB1142 HD1.

Sincerely,
Brian Kealoha
Executive Director
Hawaiʻi Energy

[1] *"Top 25 States Supporting the EV Driver,"* Plug-In America, February 2021 - https://pluginamerica.org/policy/top-25-states-supporting-the-ev-driver/

February 15, 2021

Committee on Energy and Environmental Protection
Chair Lowen and Vice Chair Marten

Subject: **OPPOSITION** to **HB 1142: Relating to EV Charging System Program, New Vehicle Sales**

By Michael D. Niethammer,

Dear Chair Lowen and Vice Chair Marten:

I STRONGLY OPPOSE HB 1142 because of the "**Cause and Effect**" such a "tax bill" will have on Hawaii's economy, our small businesses and our fellow residents.

Additional Taxes will create another "incentive" for people to buy their vehicles on the mainland, which will enable them to "**Avoid**" the proposed "1% Tax" and "General Excise Tax".

THE EFFECT

1) This will hurt local small businesses revenue, due to an "uneven playing field" given to mainland companies.
2) This will reduce the income of local employees and even lead to eventual reductions of jobs at dealerships.
3) This will reduce the personal state income taxes paid by small business owners and their employees.
4) This will reduce the amount "GET" collected on the sales of Vehicles.
5) This will reduce the amount money spent on personal and business related "Goods and services" and "GET", by local business owners and their employees.

SOLUTIONS

I fully agree that we as a state need to increase the number of EVs charging stations in order to accommodate the coming demand of the Electric Vehicle market, and there has to be a fair and equitable way to pay for it.

We need a mechanism which can enforce laws already in place which ensure that everyone is paying their fair share. .

In addition it is estimated that there are approximately 100,000 “Private Party” used car sales in Hawaii annually. Very few if any of these transactions GET gets collected, even though it required by law. The state of California collects all state tax at the date of registration or title transfer, either at DMW, AAA and several other locations. See the example below which illustrates the amount of revenue that can be created, and this doesn’t include new cars purchased from the mainland and shipped in to avoid paying tax.

Example

100,000 Private Party Used Sales
$15,000 Average Sale Price
4.712% General Excise Tax
$78,680,000 in State Revenue

This is a fair and reasonable way to enforce existing laws, create revenue which is already supposed to be collected and help Hawaii transition into energy independence.

Respectfully submitted,

Michael D. Niethammer
President
King Windward Nissan, Kaneohe, HI
Infiniti of Honolulu, Honolulu, HI
King Auto Center, Lihue, Kauai, HI

Aloha KIA
"Your Ohana Dealer since 1997"

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Aloha Kia Leeward
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Waipahu, HI 96797
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Aloha Kia Windward
Windward Mall #A-15
46-056 Kamehameha Hwy.
Kaneohe, HI 96744
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Aloha Kia Hilo
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Aloha Kia Maui
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Aloha Kia Kona
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Kailua-Kona, HI 96740
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ALOHA AUTO GROUP, LTD.

February 15, 2021

Committee on Energy and Environmental Protection
Chair Lowen and Vice Chair Marten

OPPOSITION to HB 1142: Relating to EV Charging System Program, New Vehicle Sales. Taxing 1% on any non-EV vehicle over $50,000.

Dear Chair Lowen and Marten:

Aloha Auto Group represents the Kia brand in Hawaii at 7 locations on all islands. Additionally we have Motorsports stores in Kauai and Kona. We are locally owned and are proud to have had the opportunity to serve our community for 24 years.

During this pandemic we chose not to furlough any employees and we appreciate the help provided by the SBA Payroll Protection Program that has allowed us to maintain our employees despite a significant reduction in revenues as a result of COVID-19.

We are extremely concerned with any additional taxes that affect the affordability of our products. This bill will have a negative impact on our struggling business and will likely lead to furloughs that we have been working hard to avoid.

Manufacturers continue to invest in technology improving Fuel Efficiency, Hybrid Technology, and EV Research and Development. Technology is expensive, and there is a long development process to bring vehicles to Market. We believe in EVs being part of the solution, but not the entire solution on its own. We also believe that consumer demand will create the expansion of charging stations as more and more manufacturers commit to EV fleets.

We understand the desire of legislators to pick and choose the technological solutions they want to support but are concerned that penalizing one set of consumers through a tax that is designed to specifically benefit another set of consumers is a mistake. A better approach in our opinion would be for legislators to create incentives for manufacturers and consumers to consider the technology that they want adopted. Provide an incentive versus a penalty.

Tesla has grown significantly and currently has 78% of the EV sales in Hawaii and that has occurred because they received significant incentives to develop and sell their products. Even though EV adoption is still less than 5% of the total sales in Hawaii, most manufacturers have seen what has occurred with Tesla and are committing to producing EV's for our dealerships to sell. In our opinion, that is the proper way for legislators to impact change that they deem necessary. As more manufactures supply EV's to dealers we are hopeful prices will come down and the market will create the opportunity for greater EV adoption.

Since Hawaii's laws don't impact other States, we are concerned that consumers will look to purchase vehicles on the mainland and ship them in as the additional tax will offset the cost of shipping. This will further depress our market and make it difficult to retain our team.

In closing, we oppose this bill for the following reasons:

- Additional taxes have an adverse impact on major purchases and will lead to a decline in total tax revenue and jobs will be lost
- Legislators if they choose to support a specific technology should provide incentives versus a penalty to get a technology adopted.
- Since EV adoption is currently skewed to a wealthier demographic, it will be difficult explaining to a multi-generational middle income family that the SUV or Van they want has an additional tax on it to help owners of EV's because they need additional charging stations. Any governmental action that picks and chooses one group over another creates a situation where people distrust each other. This situation is worse when the action benefits the wealthier group.
- We do not control product availability so this Bill may impose a tax on consumers that because of supply constraints do not have an opportunity to purchase an EV.
- Actions taken by the legislature that push consumers away from doing business locally will negatively impact our local communities.

I respectfully oppose HB 1142

Sincerely,

Russell Wong
Vice President & Chief Operating Officer

TESTIMONY REGARDING HB 1142, HD1
House Committee on Consumer Protection and Commerce
February 16, 2021 at 2:00 PM

Aloha Chair Johanson, Vice Chair Kitigawa, and Members of the Committee:

Thank you for the opportunity to provide testimony on HB 1142,HD1 which would impose, through June 29, 2030, a one percent surcharge on passenger cars and trucks powered solely by gasoline with a MSRP of $50,000 or greater. Up to $500,000 in surcharge revenue would fund an existing electric vehicle (EV) infrastructure program overseen by the Public Utilities Commission (PUC); any additional revenues would be deposited in the state's general fund.

Tesla supports this bill and commends the author for tackling the largest source of greenhouse gas and air pollutants in the state by proposing a mechanism that addresses the externalities of vehicle pollution and funds much needed EV charging infrastructure. However, as explained below, we respectfully urge the committee to amend the bill to provide incentive funding for zero emission vehicles as well.

While forward thinking, HB 1142, HD1 represents a significant missed opportunity for Hawaii to implement a feebate, considered "one of the best available policy options to reduce passenger car emissions" by the International Council of Clean Transportation (ICCT)[1], one of the most well-respected transportation research organizations in the world. Feebate systems impose a fee on vehicles with high CO2 emissions or fuel consumption and provide a rebate to vehicles with low CO2 emissions or fuel consumption.

According to a report[2] prepared for the Quebec government, "What makes feebate systems unique is the possibility for governments to design a regime that is self-funded, with fees collected on more polluting vehicles subsidizing those that are more environmentally friendly. The other key benefit of a feebate system is a cohesive policy approach, where both the fees and rebates are guided by, assessed against, and adjusted in tandem to achieve the same policy objectives." Feebate systems have proven highly effective in many European Union nations in speeding adoption of clean transportation by providing the right market signals to incentivize ZEV adoption and disincentivize purchases of highly polluting vehicles. For example, after Italy implemented a feebate in 2019 ZEV adoption increased tenfold.

It is worth noting that these and other programs tie incentives and disincentives to vehicle performance on a CO2-per-mile basis rather than a specific technology or MSRP of a gas vehicle. As such, they can be credibly marketed as a technology-neutral approach focused on reducing emissions. In contrast, MSRP does not appear correlated with vehicle emissions—there are many "gas guzzlers" under $50,000—and, again, HB 1142, HD1 passes up the opportunity to discourage high fuel consumption and improve public health.

In order to increase the likelihood of incentive dollars going to low-middle income consumers, some programs also impose a price cap on ZEVs eligible for incentives. Others offer an "ecobonus" if a

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[1] https://theicct.org/spotlight/feebate-systems
[2] https://www.equiterre.org/sites/fichiers/report_the_road_ahead_to_low-carbon_mobility_low.pdf

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consumer scraps an internal combustion vehicle of a certain age. These are just two examples of program design options that the state can consider in order to meet equity or environmental goals.

In closing, while intended to dissuade consumers from purchasing gas vehicles, HB 1142, HD1 does not directly encourage consumers to purchase a zero emission vehicle (ZEV). For a consumer protection perspective, this seems fundamentally unfair. We would also request that the defective date be removed.

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
February 16, 2021, 2:00 P.M.
Video Conference

TESTIMONY IN SUPPORT OF HB 1142 HD1

Aloha Chair Johanson, Vice Chair Kitagawa, and members of the Committee:

Blue Planet Foundation **supports HB 1142 HD1**, which establish a revenue-neutral feebate through a surcharge on the sale of luxury gasoline vehicles to provide funding for Hawai‘i's existing electric vehicle (EV) charging system rebate program. At a time when the state budget is strapped but policy action on climate is still urgently needed, House Bill 1142 provides an innovative and revenue-neutral funding pathway for ensuring that Hawai‘i's successful EV charging station rebate program continues.

Electric vehicles are the fastest growing segment of new cars in Hawai‘i, even during a global pandemic. Over the past year (January 2020 – January 2021), EV registrations in Hawai‘i grew 23.5%, while registrations of gasoline-powered vehicles dropped 3.2%.[1]

Still, over one million gasoline-powered vehicles are on the roads in Hawai‘i—and from them comes nearly five million metric tons of climate-changing carbon pollution. Although we now have over 13,000 EVs in the state, they still only make up a mere 1% of all registered vehicles in Hawai‘i.[2] What's worse, While Hawai‘i has made substantial progress on policies, programs, and actions to reduce burning fossil fuels in the electricity sector**,** we are falling short on decarbonizing our ground transportation sector. Greenhouse gas emissions from transportation have been climbing steadily for years prior to the coronavirus pandemic. Without deliberate and forward-thinking leadership, we risk accelerating this trend of increased transportation emissions as Hawai‘i residents go back to school and the office and as tourists return, especially with lower than usual oil prices.

Building a robust, equitable, and accessible charging network

Even as the number of EVs in the state increases steadily, adequate and accessible vehicle charging infrastructure remains a roadblock to widespread EV adoption. The International Energy Agency found that "the availability of chargers emerged as one of the key factors for

[1] *See* DBEDT Monthly Energy Trends, http://dbedt.hawaii.gov/economic/energy-trends-2/.
[2] Ibid.

contributing to the market penetration of EVs."[3] Unlike gasoline car owners, 80% of EV drivers charge their cars at home or at work.[4] Residents in multi-unit dwellings or condos, however, are often unable to find a place to charge, preventing them from receiving the benefits of EVs. This is a fundamental equity issue in Hawaiʻi: a large segment of residents in Hawaiʻi live in multi-family housing, in part because single-family homes are financially out of reach for many.

In addition, expanding access to EV charging is critical to unlock benefits for all electricity users, not just for EV drivers. Enabling EV charging during the middle of the day allows more low cost solar to be added to the grid and helps the overall energy system. When large numbers of EVs—which are essentially batteries on wheels—are connected to the electricity grid simultaneously, they can be used to help manage the system through demand response, load shifting, and other grid services. But most workplaces lack such charging infrastructure currently. How we define "workplaces" may also be shifting. With increases in remote working situations as a result of the COVID-19 pandemic, more homes could permanently morph into offices, underscoring the need to prioritize expanded charging access at both residential and commercial properties.

Ensuring that Hawaiʻi's successful EV-charging system rebate program continues at a critical time

Recognizing that a lack of charging infrastructure remains a barrier to more widespread adoption of EVs in Hawaiʻi, in 2019 lawmakers established an electric vehicle charging rebate program to incentive the installation of publicly available charging stations and charging stations that serve fleets, or multiple tenants, employees, or customers. This rebate program—administered by Hawaiʻi Energy with oversight by the Public Utilities Commission—has been a success. The initial funding allotted to the program is nearly fully committed as a result of pent-up demand. To date, the rebates have enabled the installation of five new Level 2 chargers and the retrofit of 30 existing Level 2 chargers and 1 DC fast charger across Kauaʻi, Honolulu, and Hawaiʻi counties. But this is a fraction of the additional charging needed to prepare Hawaiʻi for the auto industry's emerging pivot to electric mobility.

By charging a small surcharge (or "fee") on luxury gasoline vehicles, and then using the collected revenue to fund "rebates" for publicly available charging stations through an already-established and successful program, the "feebate" in HB 1142 is a revenue-neutral strategy for continuing the needed build out of Hawaiʻi's still-woefully inadequate public charging network. We note that this fee is appropriately targeting high-end luxury vehicles that directly contribute to climate change. According to the Hawaiʻi Auto Dealers Association, the average vehicle price in Hawaiʻi is approximately $32,000. The majority of trucks and SUVs sold in Hawaiʻi are less than the $50,000 threshold specified in HB 1142. The most popular vehicle sold in Hawaiʻi, the Toyota Tacoma, is currently below $45,000 for nearly all versions of the vehicle.

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[3] *Global EV Outlook 2017*, International Energy Agency, June 2017, https://www.iea.org/reports/global-ev-outlook-2017.
[4] Ibid.

Further, a small 1% surcharge on gasoline-powered vehicles in this high-end price range is unlikely to dramatically sway consumers to purchase vehicles out of state, as some opponents have alleged. With the exception of luxury cars priced over $140,000, the surcharge in HB 1142 would be less than the cost to ship vehicles from out of state, and even then, imported vehicles would be suggest to additional fees, paperwork, and hassle.

Vehicle MSRP	**1% Surcharge**
$50,000	$500
$75,000	$750
$100,000	$1,000

Preparing Hawai‘i for the electric mobility revolution

We expect the number of registered EVs to grow substantially as new EV models with longer ranges and lower prices hit the market. This is part of global trend of governments and automakers planning for and investing in an electric mobility future. In September 2020, California made headlines when Governor Gavin Newsom signed an executive order directing the state to require **all new cars and passenger trucks sold in California to be zero-emission vehicles by 2035**, after a summer of devastating wildfires fueled by climate-change-induced extreme weather. California joined the ranks of several countries who have also recognized that fossil fuel-powered ground transportation needs to end**. France** plans to phase out gas-powered car sales by 2040. **Britain announced in November that it will ban the sale of new gasoline and diesel cars by 2030**, a decade earlier than its previous commitment of 2040. **India**, **Netherlands**, **Israel**, and **Denmark** have set a similar goal for 2030. And **Norway** plans to have all new cars, buses, and light commercial vehicles be zero emission vehicles by 2025.

Auto manufacturers are similarly making bold commitments to phase out fossil-fuel-powered vehicles. **General Motors—one of the world's largest automakers**—announced in January 2021 that it would phase out petroleum-powered cars and trucks and **sell only vehicles that have zero tailpipe emissions by 2035**. As a mere sampling of other examples, Ford is launching all-electric versions of its popular Mustang (launching 2021) and F-150 (expected in 2022), and Volkswagen is targeting electric options for all of its vehicle models by 2030.

House Bill 1142 is necessary to prepare Hawai‘i with charging infrastructure for this influx of electric vehicles.

Conclusion

By providing additional, much-needed funding for EV charger rebates **without pulling from the general fund or other state funds**, the "feebate" in HB 1142 can accelerate Hawai‘i's transition away from fossil fuel while expanding access to EV charging options—and increasing consumer confidence in choosing an EV—for the many Hawai‘i residents that do not currently have access to charging at home or at work. A robust public charging network that includes workplaces, commercial locations, and multi-family housing is a necessary component of an equitable clean transportation future. Convenient charging and clean mobility options should be available to all Hawaiʻi residents.

Thank you for the opportunity to provide testimony.

February 15, 2021

Committee on Consumer Protection & Commerce
Chair Johanson and Vice Chair Kitagawa

Re: Opposition to HB1142 HD1: Relating to EV Charging System Rebate Program; New Vehicle Sales. Taxing 1% on any non-EV vehicle over $50,000.

Dear Chair Johanson, Vice Chair Kitagawa and Members of the Committee:

On behalf of New City Nissan, a Nissan dealership located in Honolulu on the island of Oahu, I write to respectfully **oppose HB1142 HD1**.

New City Nissan is one of seven Nissan dealerships in the state of Hawaii. We are locally owned and have operated in Hawaii for over 25 years. Like many other local dealerships, we understand that a collaborative approach is needed in order for Hawaii to achieve its sustainable transportation and climate goals, with EVs playing a huge role in that goal. However, we are OPPOSED to HB1142 HD1.

The past year was challenging for many small businesses across the state, including local dealerships. Unfortunately, due to the pandemic and all the uncertainty surrounding it, many local dealerships were faced with the harsh reality of having to furlough employees that we have considered family. This bill would create even more market disruption for local businesses, ultimately causing more jobs to be lost.

Negative impacts of the bill include:

1. Inadvertently encouraging the purchases of older, less fuel-efficient vehicles through a tax on new, more fuel-efficient vehicles, therefore increasing CO2 emissions. Manufacturers continue to invest in technology improving fuel efficiency. Thus, new vehicles are more fuel-efficient than older vehicles. Also, the trend is for consumers to hold onto their vehicles for a longer period of time. Combining these two trends and the fact that consumers are going to actively avoid paying this tax, consumers may either turn to the used vehicle market to avoid the tax or hold off on purchasing a new vehicle, therefore continuing to use their less fuel-efficient vehicles for a longer period of time.

2. Sending new vehicle purchasers to other states instead of local dealerships to avoid paying the tax. Consumers will look for ways to avoid paying this new tax and will conduct their business outside the State of Hawaii. One way would be if the consumer purchases the vehicle from another state, then ships the vehicle to Hawaii. Ultimately the consumer avoiding this tax, but hurts the State of Hawaii as a whole.

3. Creating a loss of business for local dealerships that can lead to more job losses because consumers are purchasing their vehicles outside the State of Hawaii to avoid this new tax. With less new vehicles sold by local dealerships, the local dealerships will then be forced to let go more employees. Creating a bigger strain on Hawaii's fragile economy.

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4. Creating loss of state tax revenue since consumers are looking outside the state to make their new vehicle purchases. Thus, the State of Hawaii would not only be losing out on the revenue from this proposed tax, but also the Hawaii GET as these new vehicle purchases are no longer being made in the State.

5. Sending a dispiriting message to local businesses and families as this bill is creating a vehicle tax during a down economic time. Consumers purchase vehicles to meet their needs. For example, multi-generational family living is the norm in the State of Hawaii. With bigger families to transport, larger vehicles have been the staple in Hawaii. Larger family vehicles tend to be pricier. Therefore, this tax would also impact multi-generational families.

In conclusion, this bill creates a significant negative impact on local consumers, family businesses and the local economy. We humbly ask that this bill be deferred.

Respectfully Submitted,

John Uekawa
New City Nissan, President

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

Hawaii Electric Vehicle Association
PO BOX 6310
Hilo, HI 96720
hawaiidriveelectric@gmail.com

February 15, 2021

Dear Chair Johanson, Vice-Chair Kitagawa, and Consumer Protection and Commerce Committee members,

Hawaii Electric Vehicle Association is in SUPPORT of HB1142 HD1 and offers a recommendation to ensure that we don't penalize customers of trucks not yet readily available in electric vehicle form.

In order for Hawaii to achieve its sustainable transportation and climate goals, it must quickly electrify its ground transportation. Thankfully, automakers are heeding the demand for zero-emission vehicles and are providing consumers with a wider choice of affordable electric vehicles (EVs). This addresses a couple of important barriers to adoption - relatively high prices and a low number of makes and models.

Another important barrier to address is our inadequate public charging infrastructure. This is now becoming the key to the broader adoption of EVs in Hawaii. Without adequate public charging, EV adoption with falter. Importantly, this issue will get in the way of the democratization of sustainable transportation. Much of Hawaii's ALICE (Asset Limited, Income Constrained, Employed) and low-income communities don't have the luxury of home charging. By expanding our public charging infrastructure, we enable all segments of our community to enjoy the economic and environmental benefits of electric vehicles.

Thus, we need to incentivize the installation of public charging stations. One way to accomplish this is to continue to provide site or property owners with rebates to help cover the cost of charging station installation. This rebate program has enabled the installation of several charging stations across the state over the past few quarters.

We are supportive of HB1142 HD1 as it offers a means to fund the rebate program while incentivizing the purchase of zero-emission vehicles. **However**, we feel that the MSRP threshold and eligibility requirements need to be tuned to ensure that the surcharge does not create hardships for small businesses and contractors that rely on trucks and other large vehicles not currently available in the zero-emission form. Please consider an exception for these situations.

Thank you for your support of HB1142 HD1.

Sincerely,

Noel Morin - President

Sonja Kass

Sonja Kass - Director

Hawaii EV Association is a grassroots non-profit group representing electric vehicle owners in Hawaii. Our mission is to accelerate the electrification of transportation through consumer education, policy advocacy, and electric vehicle charging infrastructure expansion. For more information, please visit hawaiiev.org.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

February 15, 2021

Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Consumer Protection & Commerce

IN OPPOSITION: HB1142 HD1, Relating to Electric Vehicle Charging System Rebate Program; New Vehicle Sales

My name is Stan Masamitsu, Chairman and CEO of Tony Group, a second-generation local auto dealer. I oppose HB1142 HD1.

Not all vehicles over $50,000 are luxury vehicles purchased by wealthy consumers as there are many large trucks purchased by farmers, contractors, tradesman, and other small business owners that are over that threshold. This 1% surcharge will disproportionately affect small business owners who do not have alternatives to purchasing these large trucks since there are currently no pickup trucks available for sales in the U.S. that are not powered solely by gasoline.

Consumers would pay less tax than more, given the choice. This tax on more expensive vehicles will likely lead some people to choose lower priced vehicles than they would have otherwise, reducing other price-related taxes like the G.E.T., which would lead to lower gross revenues for the State.

Furthermore, there is no correlation between higher priced vehicles and environmental harm.

While I am in support of the State's clean energy goals, adding an unfair tax that disproportionately affects small business and results in lower revenues for the State will create more problems than it would solve.

Respectfully submitted,

Stan Masamitsu
Tony Group
smasamitsu@tonygroup.com

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

LiUNA!

Testimony of the Hawaii Laborers' Union Local 368
1617 Palama Street
Honolulu, Hawaii 96817

Meeting: House Committee on Consumer Protection and Commerce
Date: February 16, 2021
Time: 2:00 p.m.

RE: <u>OPPOSITION</u> to HB1142 Relating to Energy.

Chair Johansen, Vice Chair Kitagawa and Committee Members,

The Hawaii Laborers' Union Local 368 is comprised of nearly 5,000 working and retired men and women across the state of Hawaii and we OPPOSE HB1142 Relating to Energy.

HB1142 has the potential for having great negative impacts on the construction industry as there are not affordable nor viable alternatives to gasoline powered pick-up trucks and vehicles on the market at the present time. Even if there were, the alternative in the pick-up truck class of vehicles is still so new that durability of these vehicles for daily use on construction sites has yet to be determined.

If implemented, this Bill could raise the cost to construction companies across the State thereby, increasing the cost of building in our State. A cost which would eventually be passed on to consumers seeking to buy homes in our State where affordability margins are already stretched to their limits.

Therefore, The Hawaii Laborers' Union Local 368 opposes HB1142 as it operates as a penalty to the working men and women across our State,and urge this committee to look for true incentives in the future to effectuate the change over to electric powered vehicles once the technology in these vehicle classes becomes available and/or more affordable.

Respectfully,
Ryan Kobayashi (Government Affairs)

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Feel the Power

HB-1142-HD-1
Submitted on: 2/15/2021 3:09:54 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Parsons	Individual	Support	No

Comments:

Aloha Committee members,

I support this bill. Anytime you can make carbon choices more expensive and Clean Power Cheaper. I'd like to see this Tax added to any Imported Old gas Guzzlers TOO! Maybe any car or truck that gets less than 25 MPG or start lower say 20 MPG and phase in a mile or 2 a year for 5-10 years to 30-40 MPG!

Mahalo,

Steve parsons, Kauai Resident, Wailua

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1142-HD-1
Submitted on: 2/15/2021 9:50:13 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Max Castanera	Individual	Support	No

Comments:

Aloha,

I support the passing of HB 1142 to improve the electrical charging infrastructure in the state. We need to take aggressive measures to meet our green-energy goals set in place and to ensure that we do our part to reduce emissions. Mahalo for your time.