

Honolulu, Hawaii

FEB 07 2022

RE: S.B. No. 2478
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism, to which was referred S.B. No. 2478 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Create a renewable fuels production tax credit; and
- (2) Clarify the definition of renewable feedstocks as used in the measure to include other renewable organic material, including but not limited to logs, wood chips, wood pellets, and wood bark.

Your Committee received testimony in support of this measure from Hawaii Center for Advanced Transportation Technologies, Hawaii State Energy Office, Hawaii Gas, Hawaii Clean Power Alliance, Alliance for Automotive Innovation, Biotechnology Innovation Organization, Pacific Biodiesel Technologies, and one individual. Your Committee received testimony in opposition of this measure from Life of the Land, Climate Protectors Hawai'i, 350Hawaii.org, and fourteen individuals. Your Committee received comments on this measure from the Department of Taxation, Department of Budget and Finance, Tax Foundation of Hawaii, and two individuals.



Your Committee finds that a renewable fuels production tax credit incentivizes the production of renewable fuels, which facilitates the development and integration of renewable energy systems, diversifies energy technology, enhances energy resiliency, and furthers the realization of Hawaii's renewable energy goals. According to testimony received by your Committee, the production of renewable fuels not only provides local jobs and other economic benefits in the energy and agricultural sectors, but also encourages the production of value-added products and other innovations that support the economic diversification of the State.

Your Committee notes that the addition of renewable fuels produced from renewable organic material, such as logs, wood chips, wood pellets, and wood bark in this measure has fueled most of the testimony in opposition submitted. Your Committee recognizes that several other measures introduced this session specifically seek to exclude trees, wood pellets, and other wood products made for burning from certain biomass sources considered to generate or produce renewable energy, and believes that the primary purpose of this measure to reinstate a renewable fuels production tax credit merits further consideration.

Your Committee further notes that an important feature of this tax credit would prevent taxpayers from utilizing more than one tax benefit on the same expenditure in producing renewable fuels.

Accordingly, your Committee has amended this measure by:

- (1) Inserting language that prevents a taxpayer from circumventing the five-year credit period by forming a new entity to qualify for additional credits;
- (2) Adding wastewater to the list of sources from which renewable fuels may be generated or produced;
- (3) Inserting blank amounts for the:
 - (A) Calculation of the annual dollar amount of the renewable fuels production tax credit for a taxpayer producing renewable fuels;



- (B) Cap on the tax credits that a taxpayer may claim in a taxable year; and
 - (C) Cap on the total tax credits that the Department of Business, Economic Development, and Tourism may certify and the Department of Taxation can issue in a calendar year; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2478, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2478, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy, Economic
Development, and Tourism,



GLENN WAKAI, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:* <i>SB 2478</i>	Committee Referral: <i>EET, WAM</i>	Date: <i>1/31/22</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
MISALUCHA, Bennette E. (VC)	✓			
LEE, Chris				✓
RIVIERE, Gil	✓			
FEVELLA, Kurt		✓		
TOTAL	<i>3</i>	<i>1</i>	<i>0</i>	<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Bennette E. Misalucha</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes