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: Tuesday, February 15, 2022
Time: 2:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 2278, H.D. 1, Relating to Energy

The Department of Taxation (Department) appreciates the intent of H.B. 2278, H.D. 1, and offers the following comments for the committee's consideration.

H.B. 2278, H.D. 1, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a new refundable tax credit to mitigate the effect of a carbon emissions tax. The amounts of the credit are as follows:

Tax Year(s)	Single or Married filing Separately	Head of Household filers	Joint return or surviving spouse filers
2023	$65	$130	$30
2024	$210	$420	$100
2025	$360	$720	$180
2026	$380	$760	$190
2027	$420	$850	$201
2028-2031	$440	$880	$220
2032	$450	$900	$220
2033	$460	$920	$230
2034	$470	$940	$230
2035 and on	$480	$960	$240

A tax credit of an unspecified amount is also available per "qualifying child," defined as a minor who resides with the qualified taxpayer and is claimed by the qualified taxpayer as a dependent.

The measure also amends the environmental response, energy, and food security tax in section 243-3.5, HRS, expanding it into a broader tax on carbon emissions. The measure would raise the tax from a flat rate of $1.05 on each barrel or fractional part of a barrel of petroleum product (except for aviation fuel) and create a tax matrix with different rates on nine categories of petroleum products, including two categories of aviation fuel ("aviation gas" and "jet fuel") and a catch-all for "other" types of fuel. The new rates would take effect on January 1, 2023, and increase annually until 2035. The measure would also raise the tax on each one million British thermal units (BTUs) of fossil fuel sold by a distributor from 19 cents to higher distinct rates for coal and natural gas, also starting on January 1, 2023, and increasing annually until 2035.

H.B. 2278, H.D. 1, would also change revenue allocation from a percentage of the tax on each barrel or million BTUs to a set specific dollar amount, deposited into the environmental response revolving fund, the energy security special fund, the energy systems development special fund, and the electric vehicle charging station subaccount, with the remaining revenues deposited into the general fund. However, all taxes on aviation fuel and all taxes on fuel used in or for small boats would be deposited into the airport revenue fund and boating special fund, respectively. The tax on BTUs would not apply to coal used to fulfill power purchase agreements (PPAs) that were in effect as of June 2015, but this exemption would not apply to the extension of any existing or subsequent PPAs.

The measure has a defective effective date of July 1, 2100, with the new tax credit in Section 2 applying to taxable years beginning after December 31, 2022

The Department appreciates the previous committee's inclusion of its suggested amendment to the definition of "qualified child" and the removal of the state residency requirement in the definition of "qualified taxpayer." This will help ensure appropriate eligibility for the credit and minimize the risk that this credit will be found unconstitutional.

The Department notes that the proposed tax credit in Section 2 is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Finally, the Department notes that it is able to administer the new tax credit for taxable years beginning after December 31, 2022, as currently written. However, if a functional effective date is to be inserted, the Department requests that the new carbon emissions tax and changes to the environmental response, energy, and food security tax in Section 5 be made effective on January 1, 2023. This will provide time for the Department to make the necessary administrative and computer changes. This measure will also require taxpayer education as it represents a significant change to this tax

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

DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAI'I EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAIʻI 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 2278, H.D. 1

February 15, 2022
2:00 p.m.
Room 329 and Videoconference

RELATING TO ENERGY

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 2278, H.D. 1, establishes a carbon cashback program by: amending Section 243-3.5, HRS, to increase the taxes imposed on petroleum and fossil fuels and change existing allocations to various special and revolving funds from set proportional amounts to flat annual amounts; adding a new section to Chapter 235, HRS, that establishes a refundable tax credit for all qualified taxpayers in the State; and making conforming amendments to Sections 128D-2 and 201-12.8, HRS.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawaiʻi complies with this ARP restriction.

Thank you for your consideration of our comments.

HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Telephone: (808) 587-3807
Web: energy.hawaii.gov

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Tuesday, February 15, 2022
2:00 PM
State Capitol, Conference Room 329 & Videoconference

COMMENTS
HB 2278 HD1
RELATING TO ENERGY.

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee, the Hawai‘i State Energy Office (HSEO) offers comments on HB 2278, HD1, which establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers and amends the environmental response, energy, and food security tax to address carbon emissions.

HSEO’s testimony is guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy, and by the Chief Energy Officers’ mandate in HRS196-72(d)(1) to “Formulate, analyze, recommend, and implement specific policies, strategies, and plans, in coordination with public and private sector stakeholders, to cost-effectively and equitably achieve the State's energy goals.”

HSEO supports the intent of the bill to establish a fee that is based on carbon emissions, and notes that, in addition to the numerous citations provided in the preamble of the bill, it has also been the position of the Hawai‘i Climate Change Mitigation and Adaption Commission that putting a price on carbon is the most effective single action that will achieve Hawaii’s ambitious and necessary carbon emission reduction goals.

For Hawai‘i to meet its target to sequester more greenhouse gases than the state emits as soon as practicable but no later than 2045, it is imperative that measures such as a carbon tax, with mechanisms to balance and support the variety of economic, social, and environmental challenges faced by our state, be considered.

Pursuant to Act 122 (2019), HSEO initiated a carbon pricing study, the results of which indicated a carbon cashback program, such as the refundable tax credit proposed by HB 2278 HD1 would support environmental, economic, and social justice objectives. HSEO notes the study concludes the carbon tax would substantially reduce the consumption of fossil fuels and that distributing most of the tax revenues to Hawai‘i's households in the low tax scenario would create a net financial benefit to most of Hawai‘i's households, with the largest net financial benefit to low-income households.

HSEO appreciates the benefits of the recommended refundable tax credit as an effective means of mitigating the impact of potential increased energy costs, especially for low to moderate income households.

HSEO looks forward to working with the Legislature, agencies, and stakeholders to support the State's decarbonization goals, and defers to the appropriate agencies for comment on tax administration.

Thank you for the opportunity to testify.

HB-2278-HD-1
Submitted on: 2/13/2022 1:56:21 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Brett Kulbis	Honolulu County Republican Party	Oppose	No

Comments:

Honolulu County Republican Party OPPOSES this bill.

A carbon-dioxide tax would make everything more expensive for working families in Hawaii, drive up costs for businesses, and have an insignificant effect on global carbon dioxide emissions.

The carbon tax is an ill-thought-out policy, which has nothing to do with protecting nature and the environment but everything to do with shoring up the State's revenue to help plug in the ever expanding fiscal deficit. If the Legislator's really wants to protect nature and the environment, they should converge all their efforts to stop the deforestation and plant more trees.

P.O. Box 37158, Honolulu, Hawai`i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair

Tuesday, February 15, 2022
TIME: 2:00 p.m.

HB 2278 HD1 Carbon Tax **OPPOSE**

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

Carbon Tax: production of locally produced goods

No Carbon Tax: production & import of foreign goods

Result: Growing preference for imports

Mahalo
Henry Curtis

HB-2278-HD-1
Submitted on: 2/12/2022 2:18:33 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Travis Idol	Hawaii Interfaith Power and Light	Support	No

Comments:

I am the President of Hawaii Interfaith Power and Light (HIPL), a local nonprofit dedicated to helping religious people and communities in Hawaii respond to the climate crisis according to their religious beliefs, values, and vision for the future.

HIPL is in support of HB2278, a bill to establish a carbon cash-back fee and program in Hawaii. Hawaii has declared a climate emergency and set a goal to be carbon neutral by 2045, so we need to be considering a variety of ways to reduce our emissions. While the state has done an admirable job of supporting the transition to renewable electricity production and zero-emission vehicles, we need to reduce emissions throughout the economy. Therefore, we need a policy that addresses emissions in multiple sectors.

A carbon cashback program would put a price on greenhouse gas (GHG) emissions through the existing barrel tax, making everyone aware of and responsible for more of their carbon footprint. An essential part of the program is that the funds would be returned to Hawaii's people, especially lower-income households. This would reduce its impact on the cost of living and encourage adoption of climate-friendly products, services, and activities.

For religious people and communities, this idea resonates with our own commitment to our religious beliefs and practices in all that we say and do. While this may seem hard and a burden to everyday living, it is our goal to live according to our values and beliefs and make our vision of a better future a reality for all. Likewise, while a carbon cashback program may seem like adding a tax or surcharge on all, or most all, of the products and services we need, it keeps our attention focused on the true cost of GHG emissions and encourages everyone to seek ways of life that realize our vision and help achieve our goal of a carbon-neutral future.

As a program, carbon cashback also supports other environmental policies aimed at reducing emissions. It rewards behaviors, products, and services that reduce GHG emissions and our carbon footprint. It is a green fee: visitors would pay the tax similar to the transient accommodation tax, and the money would be returned to Hawaii residents. A carbon fee would be easy to implement as it simply means increasing the barrel tax. The State Tax Review Commission and the University of Hawaii Economic Research Organization (UHERO) both support a carbon cashback program. A UHERO study found

that, on average, low and middle income households would financially benefit from this type of program.

In short, a carbon cashback program aligns with religious principles and approaches to encourage moral and righteous behaviors and realize our vision for a just and sustainable future for all. It involves all of us in transforming our thinking, planning, and decisions while ensuring those in need are supported and not burdened by the efforts we all need to engage in to achieve that future.

Because of this, we urge you to support HB 2278.

Our kuleana is to protect Hawai'i's natural resources, mitigating and adapting to climate change and ensuring justice for ka pae ʻāina Hawaiʻi. Kuleana has many meanings including responsible or to be responsible for. Ka pae ʻāina Hawaiʻi as it is directly translated refers to the Hawaiian archipelago. In a deeper sense it refers to the Hawaiian Islands as a collective people who also have a responsibility to each other and to the ʻāina of Hawaiʻi and all of its natural resources.

Consumer Protection and Commerce Committee
February 15th, 2022, 2:00 pm Videoconference
HB 2278 HD1- RELATING TO ENERGY
Environmental Justice Task Force, Faith Action for Community Equity

POSITION: Support

Aloha Chair Johanson, Vice Chair Kitagawa and members of the House Consumer Protection and Commerce Committee:

The state of Hawaii has declared a Climate Emergency. To ensure that this declaration does not simply become window dressing, we need to pass pragmatic bills that will enable us to decrease our greenhouse gas emissions.

There is no one silver bullet to mitigate climate change, so it is important to enact measures such as HB 2278 that can work in concert with other climate change measures to decrease our carbon emissions. HB 2278 is easily implemented, as it uses the existing barrel tax as its platform for collecting the tax and the Hawaii Department of Taxation system for the refundable tax credits.

The Hawaii Tax Review Commission's 2020-2022 Final Report recommends the following: "*Impose a carbon tax to incentivize moving away from carbon-based fuels and adopting clean energy. We recommend that the majority of the proceeds be rebated as a cashback to the residents of Hawaiʻi, with a disproportionate distribution to low-income households."*

The recent UHERO study concluded that a carbon tax, which is then returned to Hawaii tax filers, would, for low and middle income households be beneficial, as they would receive more back in a refundable tax credit than increased costs to their households. This is key to our support of HB 2278, since our organization promotes measures that protect and enhance social and economic equity.

Environmental Justice Task Force, Faith Action for Community Equity

POSITION: Support

Dear Chair Yamane, Chair Lowen, Vice Chair Tam, Vice Chair Marten, and members of the House Health, Human Services, & Homelessness and Energy and Environmental Protection Committees,

The Environmental Justice Task Force **SUPPORT S HB2514,** which seeks to protect our islands' most precious resource from fuel contamination.

Our water is precious and we all have a sacred duty to protect our islands' source of life for present and future generations. We have already seen the devastating impacts that water contamination from leaky underground storage tanks may have on people and the environment, with additional effects likely to ripple across our island over the summer and into the foreseeable future.

We implore the legislature to do all that it can to remove the threat of something far worse happening to our water supply, both now and for future generations to come. Accordingly, I respectfully urge you to PASS HB2514.

Mahalo nui for the opportunity to testify,

Susan Gorman-Chang
Chair, Environmental Justice Task Force
Faith Action for Community Equity

Email: communications@ulupono.com

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Tuesday, February 15, 2022 — 2:00 p.m.

Ulupono Initiative supports HB 2278 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 Hawaiʻi-focused impact investment firm that strives to improve the 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 2278 HD 1, which establishes a refundable income tax credit to mitigate the effects of a carbon emissions tax on taxpayers and amends the Environmental Response, Energy, and Food Security Tax to address carbon emissions.

To avoid the worst impacts of climate change, significant reductions in greenhouse gas emissions are necessary. A recent report from the Intergovernmental Panel on Climate Change (IPCC) finds that carbon dioxide (CO_2) emissions would need to fall by about 45 percent from 2010 levels by 2030 to limit warming to 1.5 degrees Celsius.[1] A carbon cashback program can be an effective tool to reduce greenhouse gas emissions while not financially burdening most households.

Research conducted by the Institute for Sustainability and Resilience, and the University of Hawaiʻi Economic Research Organization (UHERO), further supports the viability of this concept as an emissions reduction measure, estimating a 13 percent reduction in statewide emissions with the lower-priced pathway. They also noted that, unlike most taxes, it was possible to implement this program in a way that all households in Hawaiʻi, on average, would benefit economically. This is made possible by our visitors paying into the program, but only our residents can receive the cashback. Additionally, in December 2021, the Tax Review Commission, in its 2020-2022 report to the Legislature, also recommended Hawaiʻi employ a carbon cashback program to encourage clean energy development and improve most households' economic welfare in the process. With lower-income households expected to experience net economic benefits greater than those of higher-income

[1] Summary for Policymakers of IPCC Special Report on Global Warming of 1.5 degrees Celsius approved by governments, October 8, 2018.

households, this is a progressive measure that will disincentive the use of fossil fuels while simultaneously helping the households that need it the most.

While the research offers many insights and a better understanding of the potential impacts of such a program, unfortunately, to our knowledge, the data is unavailable to really understand the likely negative impacts to local industries (particularly non-service industries that compete against imports that are produced or manufactured without a carbon tax). Furthermore, assessing any proportional impact to neighbor island communities is also challenging. Though an improved understanding of these issues would be ideal, we still believe that the estimated benefits outweigh all likely negative impacts. Quite frankly, time is short and action across the globe is needed. If passed in this form, Ulupono believes this measure will provide many transformative environmental, economic and equity benefits.

However, Ulupono recommends the Legislature look to the recommendations proposed by the Tax Review Commission, specifically,

(1) Maintaining an 80/20 percent split between the tax revenues for households and the general fund. The committee should also adopt the recommendation to earmark the 20 percent for helping specific stakeholders address specific challenges of implementing this program. These funds could be used to mitigate the impacts to local industries, such as local farmers and other smaller businesses.
(2) Setting the price of the carbon tax equal to the current social cost of carbon, \$56/MT CO_2, with a gradual increase to \$79/MT CO_2.
(3) Include aviation fuel in this program, but create a sub-account in the airport revenue fund to invest in clean energy and transportation-related solutions.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

HB-2278-HD-1
Submitted on: 2/13/2022 2:53:24 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ronald Reilly	Citizens' Climate Lobby - Hawaii Island Chapter	Comments	No

Comments:

Strong Support for HB 2278 RELATING TO ENERGY

Dear Chair Aaron Ling Johanson, Vice Chair Lisa Kitagawa, and Members of the Committee on Consumer Protection & Commerce,

Thank you for holding this hearing.

Citizens' Climate Lobby – Hawaii Island Chapter, with over 300 members, strongly supports HB 2278 which puts a price on Hawaii imports of coal, oil and gas to reduce Hawaii's green house gas emissions and the worsening effects of the climate crisis that is adversely affecting Hawaii in so many ways.

We support returning the collected revenue to Hawaii residents, as a refundable tax credit or cash payment, to help, primarily low and middle income, residents cope with the expected increase in prices for gasoline and carbon intensive goods and services as we transition to a cleaner and more sustainable future. Hawaii residents will have the freedom to spend the carbon cash back money however they may choose.

Please support HB 2278. The time for a change of direction is urgently needed. If Hawaii does its part this will send a clear message to the US Congress to move forward on national carbon fee and dividend legislation, such as the Energy Innovation and Carbon Dividend Act H.R. 2307, and whatever carbon pricing provisions may be included in US Senate budget reconciliation.

Respectfully submitted,

Ron Reilly

Co-Lead, Citizens' Climate Lobby – Hawaii Island Chapter

HB-2278-HD-1
Submitted on: 2/13/2022 9:13:25 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Logan Lee	Citizen’s Climate Lobby	Support	No

Comments:

Aloha Chair Johanson, Vice Chair Kitagawa, and members of Consumer Protection and Commerce committee:

My name is Logan Lee. I am currently 15 years old and am enrolled in high school on the island of Oahu. I would like to start with thanking you for considering this bill (HB2278) today. This is a very important bill to me, as the actions taken if this bill is passed or not will affect me for the rest of my life. In Hawaii, the effect of climate change is exponentially greater than other places on the planet. My generation is the group of citizens in Hawaii that will have to face the impact of climate change. Every decision we make, starting today, must be carefully deliberated to secure the best possible future outcome.

Climate change is a global problem with effects that we see everywhere today, especially living on an island. Growing up in Hawaii, I have seen changes such as sea level rise and erosion. Beaches and waterfront areas have long been not only the places that our state is known for, but places where locals love to spend their time. When I was young, I remember surfing with my dad at Waikiki beach on the weekends, waking up early to ride on our family longboard at sunrise. However, when I recently visited the beach, there were obvious changes. The effects of heightened sea level and accelerated erosion on the shoreline are easy to see, such as exposed concrete that was previously covered with sand and sandbag groins required to protect other parts of the beach. It almost feels like a different place altogether. Yet, this is only one effect of climate change on our islands. Another such impact is the storms; due to climate change, there has been an increase in storms and hurricanes. Living on an island, this worries me, as we are especially vulnerable as an island dependent on imported goods. These impacts due to carbon emissions will affect our island, but a carbon tax can mitigate the consequences. I want future generations to have the opportunity to have a childhood like I did, I want to preserve my generation’s future, I want to care for the land the way it has cared for me. Passing this bill will not only help reduce greenhouse gas emissions, but it will set a precedent for other states around the country and the world. Hawaii can be the role model for other communities, if you take this ste

HB 2278, HD 1, RELATING TO ENERGY

FEBRUARY 15, 2021 · HOUSE CONSUMER PROTECTION AND COMMERCE COMMITTEE · CHAIR REP. AARON LING JOHANSON

POSITION: Strong support with amendments.

RATIONALE: Imua Alliance **strongly supports and offers amendments** for HB 2278, HD 1, relating to energy, which establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers and amends the environmental response, energy, and food security tax to address carbon emissions.

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding. Additionally, an estimated $19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring, like seawalls.

Furthermore, according to research conducted by Michael B. Gerrard from Colombia Law School, modern-day slavery tends to increase after natural disasters or conflicts where large numbers of people are displaced from their homes. In the decades to come, says Gerrard, **climate change will very likely lead to a significant increase in the number of people who are displaced**

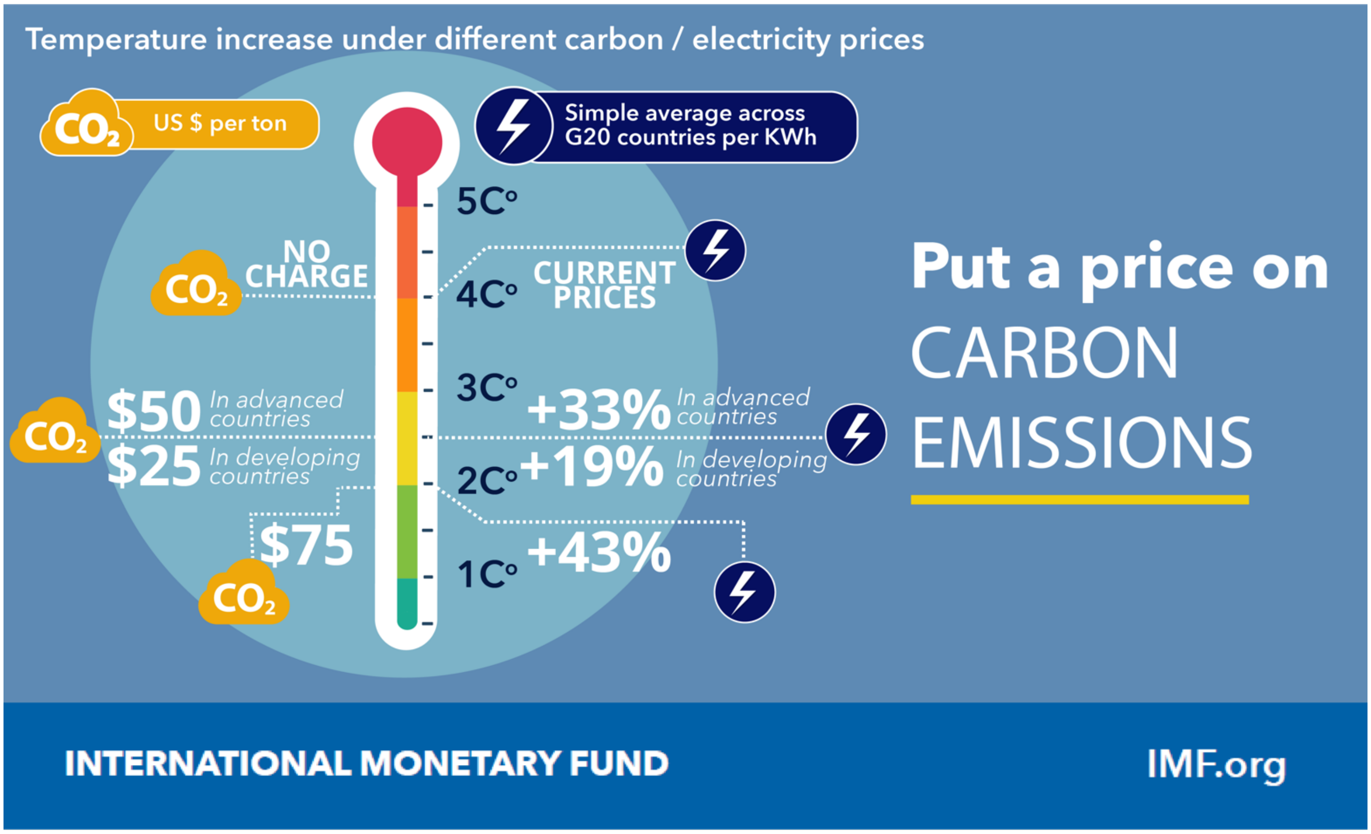
Kris Coffield, Executive Director · (808) 679-7454 · kris@imuaalliance.org

<u>and, thus vulnerable, to human trafficking.</u> While the Paris Climate Agreement of 2015 established objectives to limit global temperature increases and several international agreements are aimed at combating modern-day slavery, it is highly uncertain whether they will be adequate to cope with the scale of the problem that is likely to occur as a result of climate change.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-acre statewide sea level rise exposure area–one-third of which is designated for urban use–without risking massive structural damage and, potentially, great loss of life.

Therefore, our state should take steps to protect Hawai'i's coastal areas, including by exploring carbon pricing options. A carbon tax is a fee imposed on the burning of carbon-based fuels (coal, oil, gas). More to the point, a carbon tax is the core policy for reducing and eventually eliminating the use of fossil fuels whose combustion is destabilizing and destroying our climate, forcing users of carbon fuels pay for the climate damage caused by releasing carbon dioxide into the atmosphere. If set high enough, a carbon tax can be a powerful monetary disincentive that motivates switches to clean energy across the economy by making it more economically rewarding to employ non-carbon fuels and energy efficiency.

Utilizing existing tax collection mechanisms, a carbon tax is paid "upstream," i.e., at the point where fuels are extracted and inserted into the stream of commerce or imported into the U.S. Fuel suppliers and processors are free to pass along the cost of the tax to the extent that market conditions allow, with market forces simultaneously creating a monetary incentive to reduce carbon dioxide emissions and help our planet curb the climate crisis's global warming effect. Carbon that is chemically bound into manufactured products–such as plastics–are not be taxed under a carbon tax scheme. Similarly, any CO2 from energy production that is permanently sequestered rather than released into the atmosphere wouldn't and shouldn't be taxed (or should receive an offsetting tax credit). Finally, **<u>we urge you to replace this bill's refundable tax credit with a dividend scheme, as found on page 7, lines 11 to 15 of HB 460, through which at least 25 percent of the revenue gained is directly returned to people earning 80 percent AMI or less to offset the regressivity of the tax on economically vulnerable residents.</u>**



Notably, a Brookings Institute report found that using 2013 emissions figures, a carbon tax of only $20/ton would generate an estimated $365 million for Hawai'i.

Table 31: Estimated Impact of Carbon Tax, State of Hawaii

Per capita energy related CO2 emissions in 2013	2013 Electronic Power Fossil Combustion CO2	2013 Industrial Fossil Fuel Combustion	Total including transport	Total potential revenue, assuming 2013 emissions and tax rate of $20/ton CO2	Total carbon tax potential revenue as a share of state GDP in 2013
metric tons CO2/person	MMTCO2	MMTCO2	MMTCO2	$ millions	%
12.9	6.8	1.5	18.3	**$365**	0.49%

Source: Brookings Institution State-Level Carbon Taxes, 2016

As we accelerate our transition to a clean energy economy and continue our fight against climate change, we cannot afford to forego this sustainability-minded method of revenue generation.

Testimony for HB2278

I am Helen Cox and am writing on behalf of the Kauai Climate Action Coalition (KCAC), a group of over ninety residents from various occupations and income levels committed to addressing the climate crisis. Please support HB2278. Hawaii has declared a climate emergency and set a goal to be carbon neutral by 2045. This bill is necessary to reach the emission reductions that are consistent with Hawaii's goals. The policy will not conflict with other policies aimed at reducing carbon emissions but instead strengthen them. Most importantly, this bill is progressive. A UHERO Student commissioned by the legislature found that on average low- and middle-income households will benefit from the bill. In fact, all households on average do better if 80 to 100% of the revenues are returned to people. The bill follows the recommendations in the Tax Review Commission Report; it is the commission's top recommendation. Finally, the bill will be easy to implement as it simply means increasing the barrel tax. For our `aina and our `ohana please support this bill. Mahalo for all you do and for your support.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, FUEL, Adoption of Carbon Tax, Income Tax Credit for Low Income Ratepayers

BILL NUMBER: HB 2278 HD 1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. Amends the environmental response, energy, and food security tax to address carbon emissions.

SYNOPSIS: Adds a new section to chapter 235, HRS, granting a refundable tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers.

For single taxpayers or married filing separately:	
Calendar Year	Credit Amount
2023	$ 65
2024	210
2025	360
2026	380
2027	420
2028-2031	440
2032	450
2033	460
2034	470
2035 and thereafter	480
Plus, per qualifying child	___
For head of household:	
Calendar Year	Credit Amount
2023	$ 130
2024	420
2025	720
2026	760
2027	850
2028-2031	880
2032	900
2033	920
2034	940
2035 and thereafter	960
Plus, per qualifying child	___

For married filing jointly or surviving spouse:	
Calendar Year	Credit Amount
2023	$ 30
2024	100
2025	180
2026	190
2027	201
2028-2032	220
2033	230
2034	230
2035 and thereafter	240
Plus, per qualifying child	___

Defines a qualified taxpayer eligible for the credit as a resident taxpayer who files an individual income tax return, whether as a single taxpayer, a head of household, a married individual filing a separate return, a married couple filing a joint return, or a surviving spouse.

Defines a qualifying child as a minor who resides with the taxpayer and is claimed as a dependent by the qualified taxpayer.

Amends section 243-3.5, HRS, to rename the barrel tax the "environmental response, energy, carbon emissions, and food security tax." Raises the tax from $1.05 on each barrel or fractional part of a barrel of petroleum product to the following:

Product	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035+**
Butane	$4.26	$10.86	$17.73	$18.40	$19.09	$19.81	$20.55	$21.30	$22.08	$22.89	$23.72	$24.57	$25.44
Propane	$3.80	$9.46	$15.35	$15.93	$16.52	$17.14	$17.77	$18.42	$19.09	$19.78	$20.49	$21.22	$21.97
Gasoline	$5.27	$13.96	$23.00	$23.89	$24.80	$25.74	$26.71	$27.71	$28.74	$29.80	$30.88	$32.01	$33.16
Diesel	$5.95	$16.06	$26.57	$27.60	$28.66	$29.75	$30.88	$32.04	$33.23	$34.46	$35.73	$37.03	$38.37
Kero–sene	$5.93	$15.97	$26.42	$27.44	$28.50	$29.58	$30.70	$31.86	$33.04	$34.27	$35.53	$36.82	$38.15
Aviation gas	$3.99	$12.22	$20.77	$21.61	$22.48	$23.37	$24.28	$25.23	$26.20	$27.20	$28.23	$29.29	$30.39
Jet fuel	$4.68	$14.33	$24.37	$25.35	$26.37	$27.41	$28.49	$29.60	$30.74	$31.91	$33.12	$34.37	$35.65
No. 6 fuel oil	$6.46	$17.62	$29.22	$30.35	$31.53	$32.73	$33.98	$35.26	$36.57	$37.93	$39.33	$40.77	$42.25
LP Gas	$3.78	$9.41	$15.26	$15.83	$16.42	$17.03	$17.66	$18.31	$18.97	$19.66	$20.36	$21.09	$21.84
Other	$5.99	$16.18	$26.76	$27.80	$28.87	$29.98	$31.11	$32.28	$33.48	$34.72	$36.00	$37.31	$38.66

For non-petroleum fossil fuels, the tax per one million BTU is increased from 19 cents to:

Fuel	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035+
Coal (all forms)	$1.29	$3.55	$5.90	$6.13	$6.37	$6.61	$6.87	$7.13	$7.39	$7.67	$7.95	$8.24	$8.54
Natural gas (includ-ing LNG)	$0.80	$2.04	$3.34	$3.47	$3.60	$3.73	$3.87	$4.02	$4.16	$4.31	$4.47	$4.63	$4.80

Replaces the existing earmarks of taxes with the following:

(1) $1,291,000 to the environmental response revolving fund;

(2) $3,872,000 to the energy security special fund; and

(3) $2,582,000 to the energy systems development special fund.

Provides that all taxes paid on gasoline or other aviation fuel sold for use in or used for airplanes shall be deposited in the airport revenue fund (HRS section 248-8).

Provides that all taxes paid on gasoline, diesel, or other fuel sold for use in or used for small boats shall be deposited in the boating special fund (HRS section 248-8).

The tax is grandfathered as to coal used to fulfill an existing power purchase agreement in effect as of June 30, 2015, but grandfathering protection will not apply to a different PPA or an extension of the existing one.

Deletes the current exemption for aviation fuel.

Makes technical and conforming amendments.

EFFECTIVE DATE: July 1, 2100.

STAFF COMMENTS:

Carbon Tax Generally: An economist from UHERO, the University of Hawaii Economic Research Organization, posted an analysis arguing that strong, decisive action such as a carbon tax is going to be needed if we are going to achieve the greenhouse gas goals. “But without any specifics as to how we are to achieve [greenhouse gas] reductions – through a carbon tax or otherwise – it is largely symbolic,” she argues.

So what is a carbon tax? It is a tax imposed on the carbon content of different fuels. Typically, it is due and payable when the fuel is either extracted and placed into commerce, or when it is imported. At present, neither the U.S. federal government nor any U.S. state has enacted a carbon tax. The city of Boulder, Colorado, enacted one by referendum in 2006; it applies at the rate of $7 per metric ton of CO2 and is imposed on electricity generation only. Several European Union countries, Japan, and South Africa have carbon taxes.

Presently, we have a liquid fuel tax (chapter 243, HRS). Like a carbon tax, the fuel tax is imposed upon import and entry into commerce. So, PFM Group, the consultant employed by the Hawaii Tax Review Commission, in its final report thought that the systems and processes we now have in place to collect fuel tax in Hawaii can be adapted to a carbon tax, and for that reason concluded that a carbon tax would entail "[l]ittle administrative burden." There are, however, several important differences between the two.

Both the county and state governments are given the power to impose fuel tax. This bill does not repeal the state fuel tax and does not affect the counties' power to impose fuel tax. Rather, the carbon tax is to replace the barrel tax which is now imposed at $1.05 per barrel of imported petroleum product and on other fossil fuels based on BTU equivalent.

The potential big losers will be the electric companies, because electric generation accounted for 6.8 million metric tons of CO_2 that Hawaii produced in 2013 out of a total 18.3 million metric tons. However, the electric companies won't simply absorb the tax, but can be expected to pass on the enhanced costs to anyone who gets an electric bill.

Maybe it's good for lawmakers to worry about the end of the world as we know it, which perhaps will be staved off by the social change the tax encourages. But their constituents are worried not about the end of the world, but the end of next week. Will their paychecks be enough to pay the rent, keep the lights on, or feed the family? If the cost of simply driving to work from the suburbs is horrible now, just wait until the tax kicks in.

And if you think the hammer of a carbon tax will fall most heavily on huge, faceless corporations like the electric company, the airlines, or the shippers, think again. Businesses can and will pass on any enhanced costs to their consumers if they hope to continue providing their products or services. That means our already astronomical cost of living could head further up into the stratosphere.

Applicability of Tax to Aviation Fuel: There is an issue as to whether this tax would be preempted by federal law. The federal Anti-Head Tax Act, 49 U.S.C. §40116, prohibits any tax, fee, or charge first taking effect after 1994 exclusively upon a business located at an airport unless the tax, fee, or charge is wholly utilized for airport or aeronautical purposes. 49 U.S.C. § 40116(d)(2)(A)(iv). Although the bill states that tax collected on aviation fuel is paid to the airport fund, there is an issue as to whether the "tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers," as the bill titles it, would be considered a use of the tax that is unrelated to airport purposes. This would be a question of federal, not state, law.

Digested: 2/12/2022

Written Testimony by
David H. Rolf, Executive Director, Hawaii Automobile Dealers Association

for the
COMMITTEE ON COMMERCE & CONSUMER PROTECTION

Tuesday, February 15, 2022
Time 2 p.m.
State Capitol, via Videoconference
providing testimony with Support of HB2278 **HD1**

RELATING TO ENERGY

Chair Johanson, Vice Chair Kitagawa and members of the committee

HADA dealers offer comments only on this bill, with the note that Hawaii's dealers in the past have supported the concept of a barrel tax and continue to support the concept.

Our dealers believe that this bill has merits for advancing more rapidly the desired renewable energy transition while providing significant revenues that would be gathered from a wide variety of sectors that, besides the uses listed in this bill, could be used to offset many of the costs of the transition to electric vehicles.

Many in Hawaii won't initially like this bill because it proposes a tax.

But it is one of the most well-crafted bills in this legislative session.

It's a barrel tax that would apply to by all entities that use fossil fuel. Diesel busses. The Electric Utility. Gasoline users. Natural gas users. And others.

It spreads the carbon cost around on many users.

This bill proposes to increase the cost on the barrel of gasoline (42 gal.) by…

2023 — $5.27

2024 — $13.96

2025 — $23.00

2026 — $23.59

…increasing approximately $1 per barrel per year through 2035 until reaching:

2035---$33.16

…and maintaining the $33.16 / barrel tax on gasoline thereafter.

The increase in the gasoline tax is what some national dealer industry leaders, including Michael Jackson, the former CEO of AutoNation, the nation's largest auto retailer, have supported for years.

Several years ago, Jackson suggested raising the federal gas tax 10 cents a year and leaving it open, noting that Europe's gas prices, at the time, were in excess of $6-a-gallon.

GM's Bob Lutz, years ago, also called for a higher gas tax.

A $1 per gallon was called for, in the past, by GM's then CEO, Dan Akerson to encourage consumers to buy more fuel efficient vehicles.

This bill includes income tax credits for individuals and in some cases, (for those individuals with no tax liability) tax rebates, designed to help to offset the increase in monthly energy costs.

HADA provides comments only, while being generally supportive.

HADA is not ideologically opposed to gas taxes.

HADA supported the barrel tax idea before. Albeit the barrel tax increase at the time was a very small increase--only 2.5 cents a gallon, at the time. Reviewing this bill, one of our members expressed the thought that a smaller increase than the one proposed would be more appropriate, citing the economic challenges many are facing right now. All HADA members, however, see the need to spread the costs of the transition to Hawaii's clean energy future over many sectors.

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

We look forward to working alongside all on this transition. Many factors are now coming into the marketplace that will foster a more rapid EV transition.

February 15, 2022

TESTIMONY PROVIDING COMMENTS ON HOUSE BILL 2278, HD 1,

RELATING TO ENERGY

House Committee on Consumer Protection & Commerce
The Honorable Aaron Ling Johanson, Chair
The Honorable Lisa Kitagawa, Vice Chair

Tuesday, February 15, 2022 at 2:00 p.m.
VIA VIDEOCONFERENCE
Conference Room 329
State Capitol
415 South Beretania Street

Chairs Johanson, Vice Chair Kitagawa and members of the Committee,

Thank you for this opportunity to submit written testimony offering comments and concerns on House Bill 2278, HD 1, Relating to Energy. My name is Eric Wright, President at Par Hawaii. Par Hawaii is the state's only producer of petroleum products, including transportation fuels.

HB 2278, HD 1 would effectively establish a carbon tax on fuel by increasing the Environmental Response, Energy and Food Security tax that is currently imposed on fuel. The bill would also establish a refundable income tax credit intended to mitigate the effect of the carbon emissions tax.

We recognize the importance of charting a clean energy future for Hawaii. As the local producer of fuels for Hawaii's consumers, we want to be a part of this future by producing clean fuel for Hawaii. This legislation would increase the cost of fossil fuels, but would not provide enough of an incentive for the local production of renewable fuels. For example, in California, renewable diesel is eligible for a low carbon credit that has ranged between $1.00-1.50 per gallon. We need incentives that will allow local producers to compete in the national and global market for renewables.

Over the past two years, several refineries in the US have announced plans to partially or fully convert to renewable fuels production, primarily renewable diesel. While the feedstocks vary, soybean and other vegetable oils will serve as the raw material for most of these renewable fuels. In Hawaii, we have very limited local sources of these oils. We are beginning the process of reaching out to large landowners in Hawaii to discuss ways we can work together to grow crops that will contribute to Hawaii's clean energy future.

We are also concerned about the bill's near-term impact on consumers. Energy prices have risen significantly over the past 12 months. The price of crude oil – the raw input for making fuels – has risen by 48% since last February. The carbon tax would add to energy costs paid by consumers. The new tax would start at approximately 10 cents per gallon for gasoline in 2023, but would rise quickly to 52 cents per gallon in 2025.

While the measure proposes a carbon emission dividend to create some equity, the bill will fall particularly hard on Hawaiʻi residents who live in suburban or rural areas and must endure long commutes to and from work every day, or drive long distances for family activities like sports events. In essence, this dividend would be primarily subsidized by these heavy users of fossil fuels.

In summary, any carbon tax policy should also adopt a more comprehensive program that includes incentives for locally produced biofuels. This more well-rounded approach to shifting Hawaii's energy mix to more renewable fuels need to also recognize the global nature of the fuel market. Incentives should also be designed to ensure locally produced biofuels are competitive with other markets such as California. We believe this all-encompassing approach requires more thoughtful discussion and Par Hawaii would welcome the opportunity to participate in this important effort.

Thank you for allowing Par Hawaii the opportunity to present these comments for the Committee's consideration.

HB-2278-HD-1
Submitted on: 2/14/2022 11:03:54 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ted Bohlen	Climate Protectors Hawai‘i	Support	Yes

Comments:

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

From: Climate Protectors Hawai‘i (by Ted Bohlen)

Re: Hearing HB2278 HD1 RELATING TO ENERGY.

Tuesday February 15, 2022, 2:00 p.m., by videoconference

Aloha Chair Johanson, Vice Chair Kitagawa, and members of the House Consumer Protection and Commerce Committee:

Position: **Climate Protectors Hawai‘i STRONGLY SUPPORTS HB2278 HD1**

Carbon cashback is the program where polluters pay and people prosper.

Essentially, the companies that import fossil fuels into Hawai‘i would pay an increased fee for importing these polluting fuels, while a tax credit given back to resident tax filers, would more than offset any increased costs that these companies pass on to consumers.

The resident tax credit is wholly paid for by the fossil fuel fee, including administration of the program.

Programs very similar to carbon cashback (aka: "carbon fee and dividend") have been studied both here in Hawai‘i and nationwide showing that when a program like this is implemented, carbon emissions are reduced while the majority of families financially are better off, especially low income families.

Please pass this important bill as a step toward mitigating the climate emergency!

Mahalo!

Climate Protectors Hawai‘i (by Ted Bohlen)

The Nature Conservancy - Hawaiʻi and Palmyra
923 Nuʻuanu Avenue
Honolulu, HI 96817

Tel (808) 537-4508
Fax (808) 545-2019
nature.org/hawaii

Testimony of The Nature Conservancy
Supporting HB 2278 HD1, RELATING TO ENERGY.

Committee on Commerce Protection & Commerce
February 15, 2022, 2:00 pm
Conference Room 329 via videoconference

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

The Nature Conservancy (TNC) supports HB 2278 HD1, Relating to Energy, which would establish a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. The bill would also amend the environmental response, energy, and food security tax to address carbon emissions.

TNC supports putting a price on carbon pollution to make a significant contribution to addressing the challenge of climate change. Economists overwhelmingly agree that the market-based approach embodied in the legislation will achieve emissions reductions in the most efficient and lowest cost way possible. The economic impacts on families and individuals of the carbon price would be mitigated by the refundable income tax credit.

TNC works to protect and manage the natural systems that sequester carbon, provide our fresh water, and protect our coastlines; all of which reduce the impacts of climate change. However, to fully address the growing impacts of our changing climate, we need bold action. Nature can play a huge role in pulling carbon out of the atmosphere, but it needs policies like a carbon price to also ensure that emissions are reduced.

Mahalo for the opportunity to provide testimony on HB 2278 HD1.

The Nature Conservancy of Hawaiʻi and Palmyra is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawaiʻi and Palmyra Atoll. We manage 40,000 acres in 13 nature preserves and work in over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands. We forge partnerships with government, private parties, and communities to protect forests and coral reefs for their ecological values and for the many benefits they provide to people.

February 15, 2022
2:00 p.m.
Conference Room 329 and Videoconference

To: House Committee on Consumer Protection & Commerce
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: HB2278 HD1 — RELATING TO ENERGY

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB2278, which would create a refundable income tax credit in the attempt to offset a massive increase in the tax on petroleum products and fossil fuels.

If enacted, this bill also would create an income tax credit that would be stepped up from $65 for single taxpayers and $30 for those filing jointly in 2023 to $480 plus an additional child credit of $240 for joint taxpayers in 2035 and beyond.

This tax credit is meant to offset a barrel tax that will go from $1.05 to between $3.78 and $6.46, depending on the type of fuel, in 2023. Gasoline will be taxed at $5.27.

By 2035, that tax will range from $21.84 to $42.24, depending on fuel type. The gasoline tax in 2035 will be $33.16 a barrel.

Energy taxes will also increase from the current 19 cents per 1 million BTUs to $1.29 for coal and 80 cents for natural gas in 2023. By 2035, that tax will be $8.54 for coal and $4.80 for natural gas.

The proposal outlined in this bill appears to be based on the faulty idea that it is possible to reimburse Hawaii residents for the economic impact of a massive tax hike — as though taxes were simply a question of money-in, money-out, with the state government operating as a type of bank.

However, such an approach deeply underestimates the impact of tax hikes, most especially increases in energy taxes, on the economy as a whole.

Despite the tax refund included in the proposal, this bill would raise the cost of living in Hawaii. This bill is, in fact, a continuation of the policy of social-planning-via-taxation that has helped make Hawaii one of the most expensive states in the nation.

It should be noted that local businesses will have an especially difficult time dealing with the soaring energy costs that will come from this bill. Hawaii businesses are still struggling to recover from the effects of the coronavirus lockdowns. Many have closed their doors forever; others are barely hanging on. Raising fuel taxes will make it more difficult to survive and discourage new business and investment.

It is obvious that the real intent of this tax hike is to punish and change behavior rather than to increase revenues. However, the experience of the past year demonstrates that there are far better ways to generate more tax revenues than by levying higher taxes on Hawaii's struggling residents and businesses.

In our rebounding economy, even small economic gains have big effects. Thus, policymakers should focus on growing the economy, which would bring in more state revenues than a tax hike — and without any negative effects on business.

We are gravely concerned about the impact of the tax hikes proposed in this bill. Hawaii residents are already among the most taxed in the country; the state has the second-highest overall tax burden in the U.S. That high tax burden contributes to Hawaii's cost of living and is one of the reasons why so many Hawaii residents have been leaving in search of greater opportunities elsewhere.

Given the state's already-high tax burden, there is never a good time to raise taxes. But this proposal appears to ignore challenges that our businesses and residents have had to face over the past two years. Hawaii's economy will take years to recover from the pandemic and lockdowns. The last thing Hawaii residents and businesses need at this point is a tax hike.

There are myriad reasons we should be wary of implementing tax hikes. Here are just a few:

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.[1]

[1] Dave Segal, "Hawaii's unemployment rate hit nation-high 15% in September," Honolulu Star-Advertiser, Oct. 20, 2020.

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008. despite a windfall in revenues from an economic boom over the past decade.[2] Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

>> Hawaii's population reduction of 32,237 people since fiscal 2016[3] has left Hawaii's remaining taxpayers with a greater tax burden.

>> Hawaii already has a regressive general excise tax that disproportionately hits the poor.[4]

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.[5] Hawaii's top 1% already pays 23% of all income taxes in the state.[6]

It cannot be understated how much of an impact this bill, if enacted, will have on Hawaii's cost of living — a difference that cannot be captured in a simple tax refund.

Every business, from doctor's offices to grocery stores, will have to account for the higher energy costs and fuel costs, translating into higher transportation and delivery costs, that will result from this tax. Those costs will become part of their overhead and force them to raise prices accordingly.

Even if Hawaii residents could trust that the refund would not disappear and the tax not go even higher, the refund in this bill cannot come close to undoing the economic damage that this tax hike will do to the state.

In this session, we have heard a lot about helping lower income families, but this bill seems designed to make Hawaii even more unaffordable. If enacted, this bill will cause more businesses to close and more locals to leave Hawaii.

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[2] "Tax Acts (by Year)," Tax Foundation of Hawaii, accessed Feb. 8, 2021.
[3] "Annual Estimates of the Resident Population for the United States, Regions, States, the District of Columbia and Puerto Rico: April 1, 2010 to July 1, 2020 (NST-EST2020)" U.S. Census Bureau, Population Division, December 2020 and "U.S. Census data," "Annual Estimates of the Resident Population for the United States, Regions, States, the District of Columbia and Puerto Rico: April 1, 2020 to July 1, 2021," U.S. Census Bureau, Population Division, accessed Jan. 3, 2022.
[4] "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index: "Sales Tax Burden," American Legislative Exchange Council, 2021. Note that Hawaii does not have a sales tax, but a state general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.
[5] Katherine Loughead, "State Individual Income Tax Rates and Brackets for 2020," Tax Foundation, Feb. 4, 2020.
[6] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation, December 2020, Table 13A.

If policymakers are serious about helping working families, they should abandon the high-tax approach that has already established Hawaii as the state with the highest cost of living.

Instead, they should focus on lowering those costs, by reducing income taxes; creating an exemption to the general excise tax for groceries and medical services; lowering fees; and reducing regulations that limit opportunities and stifle economic growth.

Thank you for the opportunity to submit our comments.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaiii

HB-2278-HD-1
Submitted on: 2/11/2022 2:36:48 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Douglas Perrine	Individual	Support	No

Comments:

I support HB2278 because every aspect of our economic and public activity needs to be addressed with respect to carbon emissions to avert the worst extremes of climate change.

HB-2278-HD-1
Submitted on: 2/11/2022 1:04:39 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Caroline Azelski	Individual	Support	No

Comments:

Support.

HB-2278-HD-1
Submitted on: 2/11/2022 8:10:53 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Conner Higashino	Individual	Support	No

Comments:

If we are to reach our goal to become carbon neutral by 2045, we need to reduce our emissions across the board. By implimenting a policy that would reduce emissions in all sectors, we will be one step closer.

HB-2278-HD-1
Submitted on: 2/13/2022 9:00:22 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Paul Bernstein	Individual	Support	Yes

Comments:

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

Mahalo for hearing HB 2278. I'm writing in strong support. As a co-author of the carbon pricing studies submitted to the Hawaii State Energy Office (2021 - https://energy.hawaii.gov/carbon-pricing-study) and the Tax Review Commission (2022 - https://tax.hawaii.gov/stats/tax-review-commission/), I support the bill for the following reasons:

1. It is the most cost-effective policy to reduce carbon emissions as it corrects an existing market failure by internalizing the social cost of burning fossil fuels.
2. It is an "AND" policy when it comes to reducing emissions as it strengthens other environmental policies aimed at reducing carbon emissions because it makes using fossil fuels more expensive such as HB1800, HB1801, and HB1809 that passed out of this committee last week.
3. It is progressive. On average, it financially benefits low and middle income households. Benefiting the lowest income households the most.
4. It addresses the environmental impacts of visitors and compensates residents. Visitors will pay the carbon tax just like the transient authority tax (TAT), and as a bonus, the carbon tax revenues will go to Hawaii residents.

As a parent, I would like to leave for my children a better, more livable planet. I see carbon pricing with the returning of revenues to residents as one of the best hopes to do so. Though other policies are also needed to address climate change, from the analysis in which I've participated, I believe this policy is the most efficient, effective, and equitable path forward for a cleaner Hawaii and planet and therefore a necessary policy.

Please pass HB2278 out of your committee. As a postscript, I've included clarifications on some of the misconceptions around this policy and carbon cashback in general.

Respectfully,

Paul Bernstein

HB-2278-HD-1
Submitted on: 2/13/2022 4:25:42 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Virginia Tincher	Individual	Support	No

Comments:

Strong support for HB 2278 - The tax on carbon emissions returning the fee to qualified taxpayers.

HB 2278 strengthens other environmental policies aimed at reducing emissions and incentivizing clean energy and energy effieciency.

It is the number 1 recommendation of the Hawaii State Tax Review Commission - a carbon tax and giving most of the funds back to Hawaii residents.

Low and middle income households do better. In fact, all households on average do better if 80 to 100% of the revenues are returned to Hawaii residents.

According to most climate scientists, new data show that we have less time than we previously thought to make the drastic changes needed to avoid a global climate disaster. HB 2278 answers that concern with adjustments that ramp up the tax in stages. The bill also accelerates the time frame for the increases in the tax rates with a bigger benefit back to residents to accelerate their transition to low emission products and lifestyle like energy efficiency, electric products and electric vehicles.

The UHERO study concludes that the low tax scenario would reduce greenhouse gas emissions 40% below 2019 levels. If revenues are distributed to households in equal shares, the tax would be progressive. HB 2278 incorporates both of these ideas.

HB 2278 is a key addition Hawaii can take to mitigate climate change. HB 2278 speeds the transition and supports qualifying taxpayers especially those with lower incomes.

HB-2278-HD-1
Submitted on: 2/13/2022 9:21:01 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Keith Neal	Individual	Support	No

Comments:

In support of HB2278

The urgency to shift our energy consumption to clean renewable energy sources is real. Not withstanding the current, and continued pollution of ocean, fresh water, land, and air. Hawaii's current sources of petroleum come from Russia and Libya*, not especially great allies of the USA. The World Bank has determined fossil fuel production is subsidized globally by $5.2B annually!

The age of combustion is over, to continue, we do so at our collective peril.

I support HB2278 as it would put a fee on carbon imports and return a dividend to Hawaii residents. A carbon fee and rebate mechanism would drive energy innovation and mitigate economic impact to Hawaiian families.

Respectfully submitted,

-Keith Neal

Member; Hawaii Island, Citizen Climate Lobby

Reference: https://www.eia.gov/state/analysis.php?sid=HI

*U.S. EIA, Refinery Capacity Report (June 22, 2020), Table 3, Capacity of Operable Petroleum Refineries by State as of January 1, 2020.
*U.S. EIA, Refinery Capacity Report (June 21, 2019), Table 12, Refinery Sales During 2018.

B 2278 HD 1 TESTIMONY

To: House Committee on Consumer Protection and Commerce
Hearing on Feb. 15, 2022 at 2:00 p.m.

From: John Kawamoto

Position: Support

Economists have called climate change the greatest market failure in history because the fossil fuel industry does not pay for all of the costs of fossil fuels. The burning of fossil fuels emits greenhouse gases, which are largely responsible for climate change, and society as a whole pays for the harmful impacts of climate change. The profits of the fossil fuel industry are elevated because it does not pay for these social costs.

As a society, we are seeking to eliminate the burning of fossil fuels. The Legislature has passed a 100% renewable energy goal and a zero net emissions goal. But achieving those goals will not be easy because fossil fuels are baked into our way of life. We must be willing to make sacrifices to eliminate fossil fuels. If we don't do it soon enough, climate change will cause a global catastrophe that will end civilization as we know it.

This bill proposes an economic approach to reducing fossil fuel emissions. It incorporates a model that has been endorsed by thousands of economists, including 28 Nobel Laureate economists, four former Chairs of the Federal Reserve, and 15 former Chairs of the Council of Economic Advisors.

The model assesses a tax on fossil fuels and distributes the tax revenue to people in equal shares. Those who consume low quantities of fossil fuel will experience a net financial gain. Those who consume very his quantifies will experience a net financial loss. This model incentivizes people to reduce their consumption of fossil fuels.

Last year, a hearing was held on HB 1319, a bill that taxes fossil fuels and distributes benefits to people. The testimony was overwhelmingly in support of it. Testifiers cited mitigation of climate change and net financial benefits to people.

Of those who opposed the bill, most said they did so because they were uncertain of the outcomes. Since then, a study by the University of Hawaii Economic Research Organization (UHERO) entitled, "Carbon Pricing Assessment - Economic and Greenhouse Gas Effects," has been released. The Legislature funded the study with an appropriation of $150,000. The study is an in-depth evaluation of a fossil fuel tax, and it answers many of the questions that people had about it.

In evaluating the tax, the UHERO study examines a low tax scenario and a high tax scenario. In both scenarios, the tax rates would increase in stages over time, and in both scenarios the tax would substantially reduce greenhouse gas emissions.

The study also describes the results of distributing all of the tax revenue to households in equal shares. The study finds that the two tax scenarios would have opposite effects on household welfare. Under the high tax scenario, household welfare would diminish among households of all income quintiles, with the greatest loss experienced by households in the lowest income quintile. Under the low tax scenario, household welfare would increase among households of all income quintiles, with the greatest gain experienced by households in the lowest income quintile.

Under the low tax scenario, the average household in the lowest income quintile would experience a net benefit of $900 in the first year of the program. That net benefit would decline to $700 in the last year due to declining tax revenue. The declining tax revenue is consistent with declining fossil fuel consumption and declining greenhouse gas emissions, which is the purpose of the tax.

The bill under consideration adopts the low tax scenario of the UHERO study, with adjustments that ramp up the tax in stages. The bill also accelerates the time frame for the increases in the tax rates. According to most climate scientists, new data show that we have less time than we previously thought to make the drastic changes needed to avoid a global climate disaster.

The bill assesses the tax using the existing Environmental Response, Energy, and Food Security Tax, also known as the barrel tax. It should be noted that the unit of measure used by the UHERO study ("MT CO2 Eq.") is different from the units of measure used by the barrel tax ("barrels" for petroleum and "millions of British thermal units" for other fossil fuels). HB 2278 makes the necessary conversions.

The UHERO study concludes that the low tax scenario would reduce greenhouse gas emissions 40% below 2019 levels. If revenues are distributed to households in equal shares, the tax would be progressive. HB 2278 incorporates both of these ideas.

This bill is one of many efforts that Hawaii can take to mitigate climate change, and it may be used in conjunction will all other efforts.

The economic model that this bill incorporates is also being considered at the federal level. Hawaii can demonstrate national leadership on climate change by passing this bill to pave the way for national legislation. As U.S. Supreme Court Justice Louis Brandeis once said, the states are the laboratories for democracy. To avoid potential duplication, this bill should be amended to be repealed in the year that any federal legislation that adopts the same model becomes operational.

With that amendment, I support the bill.

HB-2278-HD-1
Submitted on: 2/13/2022 3:28:37 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Roberta Baker	Individual	Support	No

Comments:

Dear Chair Aaron Ling Johanson, Vice Chair Lisa Kitagawa, and Members of the Committee on Consumer Protection & Commerce,

Thank you for holding this hearing.

I am in strong support of HB2278 RELATING TO ENERGY

Hawaii has declared a climate emergency and set a goal to be carbon nerutral by 2045. If we are to do so, we need to reduce emissions economy wide.

We need to send a mesage to the rest of the world that we can do it and so can everyone else.

Thank you

Roberta Baker

HB-2278-HD-1
Submitted on: 2/13/2022 5:22:18 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Barbara Best	Individual	Support	No

Comments:

Some reasons this bill is great: It will reduce emissions in line with Hawaii's goals and other policies, it's progressive, so includes economic justice, visitor tax keeps money in Hawaii, is easy to implement, is the top recommendation by the Tax Review Commission, supported by the UHERO study commissioned by the legislture and allows Hawaii to continue its national leadership on climate change.

HB-2278-HD-1
Submitted on: 2/13/2022 5:41:05 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ruth Robison	Individual	Support	No

Comments:

HB 2278 RELATING TO ENERGY is consistent with Hawai`i's leadership in renewable energy. It is an effective strategy for cutting back on one of the main causes of climate change. I strongly believe that the climate crisis is the most important issue of our time. We see its destructive effects all around us and this is only the beginning. Models of the effects of the warming of the earth show that eventually the tradewinds will stop blowing across Hawai`i. We must act now to prevent such dire consequences. Thank you.

HB-2278-HD-1
Submitted on: 2/13/2022 6:59:25 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Rosemarie Muller	Individual	Support	No

Comments:

Aloha

My name is Rosemarie Muller and I live in Keaau, Hawaii.
Hawai'i has declared a climate emergency and set a goal to be carbon neutral by 2045. We need to reduce emissions economy wide. Therefore we need this bill passed.

Mahalo

HB-2278-HD-1
Submitted on: 2/13/2022 10:39:19 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Andrea Nandoskar	Individual	Support	No

Comments:

Support

HB-2278-HD-1
Submitted on: 2/14/2022 9:33:50 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Graham	Individual	Support	No

Comments:

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

HB 2278 is a critically important bill and I urge you to support it.

The carbon tax and credit would substantially reduce Hawaii's use of fossil fuels and go a long way toward meeting Hawaii's goal of becoming carbon neutral by 2045. Importantly, it also would set an important precedent for other states and the nation to follow.

The bill would implement a key recommendation of Hawaii's 2020-2022 Tax Review Commission: Enact a carbon tax that reflects the social cost of carbon, and return most of the proceeds to households.

As a consumer, I am keenly aware that this carbon tax would result in higher prices of various products. However, I am certain that the cost of not acting—of failing to reduce carbon emissions—would be much, much greater, and those costs would be felt in every economic sector, everywhere. Our dependence on fossil fuels will be costly to taxpayers in any case, but preventing the most serious impacts of climate change NOW—with a carbon tax—would be much less costly than coping with the disastrous effects of climate change later.

Importantly, most of the tax under HB 2278 would be credited back to taxpayers, so it would achieve a high impact in terms of curbing the use of fossil fuels at a low cost. Moreover, the tax credit scheme—equal shares to each household, would make the carbon tax a progressive one. A study by the University of Hawaii Economic Research Organization indicates that lower and middle income households would actually come out ahead.

Finally, please note that this carbon tax and credit scheme would not conflict with or complicate other actions Hawaii can and should take to reach its energy goals and address climate change.

Thank you,

Thomas Graham

HB-2278-HD-1
Submitted on: 2/14/2022 8:20:42 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Dr Marion Ceruti	Individual	Oppose	No

Comments:

This bill is the wrong pproach to mitigate the impact of high taxation. The taxes should be reduced from the start, not paid back later in a very small amount that is more trouble than it is worth. It fuels inflation and will only make the cost of living in Hawai'i higher than it already is. Vote NO on HB2278.

HB-2278-HD-1
Submitted on: 2/14/2022 10:09:01 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Tawn Keeney	Individual	Oppose	Yes

Comments:

Members of the Consumer Protection and Commerce Committee,

It would be widely agreed that HB2278 HD1 is one of the two or three most important Bills of this session. Pricing Carbon is of profound importance to society. However, please consider the following comments:

From the preamble to the bill HB2278: “The World Bank asserts that "carbon pricing is the most effective way to reduce emissions, and all jurisdictions must go further and faster in using carbon pricing policies as part of their climate policy packages.”

The preamble continues: "Over three thousand five hundred economists, twenty-eight Nobel Laureate economists, four former chairs of the Federal Reserve, and fifteen former chairs of the Council of Economic Advisors have signed a statement endorsing carbon pricing. The statement reads, in part, "[a] carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary." The statement goes on to say that the carbon tax should be increased until emission reduction goals are met.”

My Testimony will examine HB2278 in the context of 1) the Bill's frequently referenced UHERO (University of Hawaii Economic Research Organization) Carbon Pricing Study; 2) the above referenced quotations in the preamble; 3) the international embrace of carbon pricing, as the United States has lagged far behind the world's standard bearers in this regard.

The price on carbon proposed in HB2278 and scaled over the next 20 years is insufficient to have significant effect toward Hawaii GHG mitigation efforts. The effect will be to retard meaningful progress by diverting meaningful solutions. This legislature must adopt a more aggressive price on carbon which will be effective toward Hawaii’s Climate Goals. We were the first state to set a Carbon Neutrality goal by 2045 and the first state to declare a climate emergency. We must lead aggressively again.

HB2278, in its preamble, states: “The UHERO study examines two levels of carbon taxes – a low tax scenario and a high tax scenario.” “This Act incorporates many of the elements of the ‘low tax scenario’ of the UHERO study.” UHERO’s 'low tax scenario' begins with a carbon price of $50/ton of emitted CO2(e) and reaches $70/ton by 2045. The 'high tax scenario begins at $250/ton of emissions and hits $1000/ton by 2045. HB2278's Carbon price in 2024 averages about $15/barrel of oil. This is the equivalent of approximately $40/ton of emitted

CO2(e). This rises to about $80/ton CO2(e) in 2035 and remains at that level. HB2278's schedule is therefore slightly more aggressive than UHERO's 'low tax scenario'.

The Conclusion of the UHERO study says the following about the effects of this 'low tax scenario'. “... reduces Hawai‘i’s cumulative GHG emissions between 2025 and 2045 by 25 MMT (million metric tonnes) CO2(equivalents). In the year 2045, GHG emissions are 13% below 2045 baseline levels and 40% below 2019 levels.” UHERO is here recognizing that within the current regulatory framework, Hawaii will see a reduction in GHG emissions. Adding the ‘low tax scenario’ will decrease the emission levels in 2045 another 13%. With the current regulatory framework and the 13% reduction by this tax, by 2045 yearly emissions will reach a 40% reduction below 2019 levels. With this tax, total accumulated CO2 will decrease by 25 million tons by 2045. Again, HB2278 will be slightly more aggressive than this 'low tax scenario'.

UHERO posits a ‘high tax scenario’ also. It starts at $240/ton CO2(e) emissions and reaches $1000/ton by 2045. In this scenario the cumulative GHG CO2(e) emissions are reduced by 150 million tons, not the 25 million tons achieved by ‘low tax’. In the year 2045 emissions are 70% below 2045 baseline (not the 13% in the low tax scenario) levels, and 80% (not the 40% achieved in the ‘low tax scenario') below 2019 levels. This is much closer to Hawaii’s goal of 100% carbon neutrality by 2045.

The UHERO study posits that by 2045 under the low tax scenario vehicle miles travelled by Electric Vehicles increases by 8%, and 52% under the ‘high tax scenario’.

The high tax scenario achieves the goals of the World Bank, the economists & the Nobel laureates, but at what cost to the economy? The UHERO study has the answer: “The higher carbon tax scenario, $1000/ton CO2(e) leads to a much bigger drop in total output than the lower tax scenario. By 2045 there is a -4.7% difference in total output from the baseline....” “Note that these declines are relative to a baseline of growing GSP (Gross State Product). Thus it is not adecline from the 2019 economy, but rather represents a slower growth pathway.”

The conclusion is that the economy will grow 'somewhat' more slowly in the 'high tax scenario'. However, rather than the carbon emissions declining by 25 million tons, they will diminish by 150 million tons. Rather than a 13% drop in greenhouse gas emissions, a 70% drop will be achieved.

DBEDT in 2018 projected the Hawaii economy in 2020 would reach 86 billion in GSP (gross state product) and by 2045 will have reached $131 billion (in 2012 dollars). A 4.7% drop in total output will place the economy instead at $125 billion. The authors of HB2278 endorse a cost/benefit analysis which some (particularly the children) might find quite questionable, a 5% drop in the economic output discourages the 125 million tons saved in GHG emission.

Consider the world stage. Canada has committed that it’s current carbon price of $40CAN/ton will reach $170CAN/ton ($130US/ton) by 2030. The current price of carbon emissions in the EU European Trading System is $94US/ton CO2(e) emissions, and analysts expect a rise to $105 by 2024. Sweden’s Carbon tax currently is $127US/ton.

There is a third alternative between the ‘low tax’ and ‘high tax scenarios. The UHERO study states “There are decreasing gains in GHG abatement around $300-400/ton CO2(e) as the marginal cost of abatement increases rapidly at these carbon prices.”

This ‘middle ground’ might start at the $40/ton level but increase much more rapidly, as encouraged by this Bill’s World Bank reference, the three thousand economists and twenty eight Nobel laureates. One year ago this legislature resolved that there exists a Climate Emergency. Enacting a Carbon Tax in the ‘Low Tax Scenario’ would effectively deny that the Climate Emergency is real. Consideration should be given to reaching at least the price on Carbon achieved in Canada and Europe by 2030, presumably at least $130/ton, and then $200/ton by 2035, and then $300 to $400/ton by 2045.

Please amend this bill in such a way as to reflect that the Climate Emergency is real, and we are committed to a response that reflects the gravity of the existential threat.

Mahalo for your consideration

Tawn Keeney MD

HB-2278-HD-1
Submitted on: 2/14/2022 12:43:43 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Carol Cam	Individual	Support	Yes

Comments:

HB2278 - Carbon Cashback

Aloha, my name is Carol Cam, and I am a member of Citizens Climate Lobby.
I support **HB2278 - Carbon Cashback**.

Greetings, Chairman Johanson, Vice Chairman Kitagawa, and Committee Members Aquino, Har, Hashem, Kong, Mizuno, Morikawa, Onishi, Tarnas, and Matsumoto.

Climate Change has affected me as follows:
My elders and I suffered dehydration and heat stroke; my students suffered heat in classrooms; drought and wildfires have become more frequent; nearby coral reefs have died; storms repeatedly damage electrical and communication infrastructures; goods and services are often interrupted; and storm damage and coastal erosion blocked the highway.

Reasons for my position on **HB2278** are:
Hawaii definitely needs effective climate action **now** that also protects low- and middle-income households.

Hawaii needs a strong, direct strategy that will help us transition to cleaner energy and transportation. Hawaii can do that by putting a gradually rising tax on fossil fuels coming into our economy and passing along the collected money to our residents. Energy price increases would be offset, if the revenue is returned to residents as dividends like refundable tax credits.

Hawaii has the nation's highest electricity and natural gas rates, so Hawaii will continue to suffer from high energy prices, if it depends on imported fossil fuels. Since 2020, a sixty-seven percent increase in major US power outages was caused by climate events that caused billions of dollars in damage. Rather than clean up disasters after they happen, Hawaii needs to forestall climate disasters before they happen. We all need to quit using fossil fuels soon. Because I believe carbon pricing is very effective and fair, I urge you to pass **HB2278 - Carbon Cashback**.

Thank you, Consumer Protection and Commerce Committee, for the opportunity to testify.

HB-2278-HD-1
Submitted on: 2/14/2022 12:42:35 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Matthew Geyer	Individual	Support	Yes

Comments:

I am testifying in STRONG SUPPORT of HB2278 HD1.

Programs very similar to HB2278 have been studied both here in Hawaii and nationwide showing that when a program like this is implemented, carbon emissions are reduced while the majority of families financially are better off, especially low income families.

Under this the program, polluters pay and people prosper.

Essentially, the companies that import fossil fuels into Hawaii would pay an increased fee for importing these polluting fuels, while a tax credit given back to resident taxpayers, would more than offset any increased costs that these companies pass on to consumers.

The resident tax credit is wholly paid for by the fossil fuel fee, including administration of the program.

HB2278 HD1 is a big win for our environment and for the vast majority of the residents of Hawaii, especially low income residents.

Thank you for hearing and supporting this urgently needed measure.

I would also suggest looking at the tax credit distribution tables to see if it should be amended to distribute the taxes more fairly amongst varying tax filing groups.

Matthew Geyer

HB-2278-HD-1
Submitted on: 2/14/2022 1:37:52 PM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Brandt	Individual	Support	No

Comments:

Support.

Citizens' Climate Lobby Hawaii
cclhawaii.org
hi.ccl.lobby@gmail.com

February 14, 2022

Dear Chair Johanson and Vice-Chair Kitagawa, and Committee members,

On behalf of the Citizens' Climate Lobby (CCL) Hawaii, I'm testifying in strong support of HB2278 HD1 with recommended amendments.

CCL Hawaii supports **HB2278 HD1** as it will be effective in reducing emissions while caring for our low to middle-income families. **HB2278 HD1** meets the requirements for effective climate action: it addresses a key root cause (emissions from burning fossil fuels), triggers a broad change in consumption habits to reduce fossil fuel dependence, and ensures a just transition for our vulnerable.

Carbon pricing is well recognized as an essential strategy in our climate change mitigation efforts. It is endorsed by thousands of economists, religious leaders, business groups, and government leaders. Globally, major governments have already introduced carbon pricing.

Studies at the national[1] and local levels[2] have illustrated the efficacy of carbon pricing in reducing emissions. When coupled with a dividend – carbon tax revenue returned to households – the impact on our low-middle-income families is positive.

Pricing carbon pollution will allow us to include the true social costs of carbon into fossil fuels. This will trigger changes in consumer and business behaviors that will favor efficiency and clean and renewable solutions. The outcome is a step-change in collective habits that will help Hawaii reduce its dependency on fossil fuels, accelerate its transition to clean energy, and help create support for national carbon pricing.

Climate change requires solutions on multiple fronts – emission reduction, carbon drawdown, and adaptation. HB2278 HD1's proposal to put a price on carbon and return revenue to people is a critical element in a portfolio of much-needed solutions.

RECOMMENDED AMENDMENTS
HB2278 HD1 requires amendments to correct errors noted in the payment tables in Section 2:

- First Table (Section 2-235 (1)) - the title should include qualifying widow, head of household in addition to single and married filing separately.
- Second Table (Section 2-235 (2)) should be for married filing jointly. *(The amounts are twice as much as the amounts in table 1.)*

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[1] CCL Carbon Pricing studies. https://citizensclimatelobby.org/carbon-pricing-studies/

[2] The UHERO Carbon Pricing Assessment report in April 2021 confirmed the effectiveness of a carbon fee and dividend strategy. https://energy.hawaii.gov/carbon-pricing-study. A carbon pricing policy was a top recommendation by the Hawaii Tax Review Commission in its 2020-2022 report. https://files.hawaii.gov/tax/stats/trc/docs2022/TRC_Report_2022.pdf

- Third Table (Section 2-235 (3)) is for minors whether they are declared as dependents or file their own tax returns. *They are to receive a half share (i.e., half as much as an adult), which is why the amounts are half as much as those in table 1.*

The tables should be amended as follows:

(1) For taxpayers filing as single, married filing separately, qualifying widow, or head of household:

(A) (i) $65 for the taxable year beginning on January 1, 2023;

(ii) $210 for the taxable year beginning on January 1, 2024;

(iii) $360 for the taxable year beginning on January 1, 2025;

(iv) $380 for the taxable year beginning on January 1, 2026;

(v) $420 for the taxable year beginning on January 1, 2027;

(vi) $440 for the taxable year beginning on January 1, 2028, and for every taxable year thereafter through December 31, 2031;

(vii) $450 for the taxable year beginning on January 1, 2032;

(viii) $460 for the taxable year beginning on January 1, 2033;

(ix) $470 for the taxable year beginning on January 1, 2034; and

(x) $480 for the taxable year beginning on January 1, 2035, and for every taxable year thereafter; and

~~(B) $ per qualifying child;~~

(2) For taxpayers ~~filing~~ as married filing jointly ~~as a head of household~~:

(A) (i) $130 for the taxable year beginning on January 1, 2023;

(ii) $420 for the taxable year beginning on January 1, 2024;

(iii) $720 for the taxable year beginning on January 1, 2025;

(iv) $760 for the taxable year beginning on January 1, 2026;

(v) $850 for the taxable year beginning on January 1, 2027;

(vi) $880 for the taxable year beginning on January 1, 2028, and for every taxable year thereafter through December 31, 2031;

(vii) $900 for the taxable year beginning on January 1, 2032;

(viii) $920 for the taxable year beginning on January 1, 2033;

(ix) $940 for the taxable year beginning on January 1, 2034; and

(x) $960 for the taxable year beginning on January 1, 2035, and for every taxable year thereafter; and

~~(B) $ per qualifying child; and~~

(3) For qualifying child or minor ~~taxpayers filing a joint return or as a surviving spouse~~:

(A) (i) $30 for the taxable year beginning on January 1, 2023;

(ii) $100 for the taxable year beginning on January 1, 2024;

(iii) $180 for the taxable year beginning on January 1, 2025;

(iv) $190 for the taxable year beginning on January 1, 2026;

(v) $201 for the taxable year beginning on January 1, 2027;

(vi) $220 for the taxable year beginning on January 1, 2028, and for every taxable year thereafter through December 31, 2032;

(vii) $230 for the taxable year beginning on January 1, 2033;

(viii) $230 for the taxable year beginning on January 1, 2034; and

(ix) $240 for the taxable year beginning on January 1, 2035, and for every taxable year thereafter; and

~~(B) $ per qualifying child.~~

Please support HB2278 HD1.

Respectfully,

Noel Morin
CCL Hawaii State Co-Coordinator

Citizens' Climate Lobby *is a nonprofit, nonpartisan, grassroots advocacy organization focused on national policies to address climate change solutions. CCL Hawaii's 900+ members are part of a 200,000+ global organization. For more information, visit citizensclimatelobby.org.*

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

LATE

HB-2278-HD-1
Submitted on: 2/15/2022 3:18:20 AM
Testimony for CPC on 2/15/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Douglas Hagan	Individual	Support	Yes

Comments:

My name is Doug Hagan. I am a resident of Paia, Hawaii and a climate advocate volunteer with the Citizens Climate Lobby chapter here in Maui. These are solely my individual requests and opinions.

I am in support of a resolution to support HB 2278

Climate change is devastating our Island our community and will have a horrible impact on our children. Please act now.

There are numerous studies both local and national that show that a climate dividend will not hurt lower and middle income tax paying families in fact the opposite is true. Lower middle income families benefit the most from a carbon dividend come out ahead of without tax. These studies were completed in Hawaii and against data from Hawaii families.

Please enact a carbon tax this year and do not defer this important legislation to a later date.

In December 2019 the Maui County Council unainmously passed Resolution #20-023 in support of national carbon pricing. ttps://www.mauicounty.gov/DocumentCenter/View/121433/Reso-20-023

The Maui County Council passed Resolution #20-024 in full support of Hawaii state legislation supporting carbon pricing. https://www.mauicounty.gov/DocumentCenter/View/121434/Reso-20-024

Please consider the voluminous research which has been done on carbon dividend as an effective solution for combating climate change - including a study published Columbia University and some of the benefits of a carbon dividend approach found here.

Please consider the further studies of the Regional Economic Models, Inc. (REMI) found here.

The Hawaii specific study shows that lower income population segments can benefit, rather than negatively impact the more vulnerable segments of our island population. Please consider returning more of the carbon tax – as is done by the carbon dividend approach.

from Hawaii Tax Review Commission Study - The Hawaii Tax Review Commission, composed of citizens selected by Governor Ige recently recommended a carbon fee and dividend model. It is first on their list of recommendations. With fossil fuels priced to include their planetary impact, a fee incentivizes using alternatives to fossil fuel for energy production, gas-powered appliances and vehicles, which would in turn reduce the devastating effects of climate change. The dividend more than covers the increased cost for those who use less or no fossil fuels.

The UHERO study answers many of the questions about a tax on fossil fuels. However, the study was issued after the only bill taxing fossil fuels that received a hearing in 2021 had died (HB 1319).

In evaluating the tax, the UHERO study examines a low tax scenario and a high tax scenario. In both scenarios, the tax rates would increase in stages over time, and in both scenarios the tax would substantially reduce greenhouse gas emissions. The study also describes the results of distributing all of the tax revenue to households in equal shares. The study finds that the two tax scenarios would have opposite effects on household welfare. Under the high tax scenario, household welfare would diminish among households of all income quintiles, with the greatest loss experienced by households in the lowest income quintile. Under the low tax scenario, household welfare would increase among households of all income quintiles, with the greatest gain experienced by households in the lowest income quintile. Under the low tax scenario, the average household in the lowest income quintile would experience a net benefit of $900 in the first year of the program. That net benefit would decline to $700 in the last year due to declining tax revenue. That decline is consistent with declining greenhouse gas emissions, the purpose of the tax.

Thank you