



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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In reply, please refer to:  
File:

**Testimony COMMENTING on HB0389 HD1  
RELATING TO TAXATION**

REPRESENTATIVE MARK M. NAKASHIMA, CHAIR  
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Hearing Date: 2/15/2023 Room Number: 329

1 **Fiscal Implications:** This measure will impact the priorities identified in the Governor's  
2 Executive Budget Request for the Department of Health's (Department) appropriations and  
3 personnel priorities. Proposed requirements will require additional staff time and effort.  
4 **Department Testimony:** The Department is supportive of the goal of carbon sequestration  
5 activity that provides safe, effective, and efficient means to reduce greenhouse gas emissions and  
6 combat climate change. However, the Department has comments on this measure which  
7 proposes to create a state level tax credit for geological carbon capture and storage (CCS) and  
8 requires the Department to establish rules to certify the amount of carbon captured and disposed  
9 of by a taxpayer beginning in tax year 2024. This tax credit would provide state dollars to  
10 supplement the federal 45Q tax credit, recently increased by the 2022 Inflation Reduction Act.  
11 Discussion regarding geologic CCS in Hawaii suggests that there are a number of actions  
12 needed prior to program implementation. Hawaii's geological composition and protection of our  
13 valuable groundwater aquifers must be carefully considered. Hawaii's Underground Injection  
14 Control rules in Hawaii Administrative Rules, Section 11-23-07, currently prohibit the  
15 construction, operation, or existence of Class VI injection wells (used for geological  
16 sequestration of carbon dioxide) in the State. If geological sequestration were determined  
17 environmentally sound and feasible in Hawaii, existing rules would need to be amended. A new  
18 permit program, including applications, reviews, and compliance checks would require  
19 coordination across multiple branches within the Department. In addition, such a program would

1 need to align with federal requirements for both geologic carbon sequestration and carbon tax  
2 credits.

3         Although the extent of the Department’s responsibilities proposed in the bill are still  
4 being evaluated, additional staff resources will be necessary to pass rules and carry out the  
5 required duties of verifying the amount of carbon captured and disposed, certifying tax credits,  
6 and maintaining records.

7         The Department supports the implementation of methodologies and practices in our state  
8 to reduce carbon. However, without a geologic carbon sequestration project or program, and  
9 potential processes having been evaluated as feasible in Hawaii, the tax credit and the utilization  
10 of resources necessary to develop associated rules at this time may be premature.

11         Thank you for the opportunity to testify.

12         **Offered Amendments:** None.

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA  
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DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 389, H.D. 1, Relating to Taxation

**BEFORE THE:**

House Committee on Consumer Protection & Commerce

**DATE:** Wednesday, February 15, 2023

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 329

Chair Nakashima, Vice-Chair Sayama, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 389, H.D. 1, for your consideration.

H.B. 389, H.D. 1, adds a new section to Chapter 235, Hawaii Revised Statutes, to create a nonrefundable income tax credit which is: (1) an undetermined dollar amount per metric ton of carbon oxide that is captured by the taxpayer at an industrial or direct capture facility in the State; (2) properly disposed at a secure disposal site; and (3) not used by the taxpayer as a tertiary injectant. The taxpayer is to submit required information, as determined by rules adopted by the Department of Health (DOH), to DOH no later than 90 days following the close of their taxable year. DOH must provide the taxpayer with a verified certification no later than seven months from the date the taxpayer submitted the request to DOH.

The measure has a defective effective date of July 1, 3000.

The Department defers to DOH regarding its ability to certify this credit, but requests that a third-party certification requirement be maintained, as the Department lacks the subject matter expertise to determine eligibility for this credit.

Additionally, the Department notes that this bill will require form and system changes. The Department therefore requests that the bill is made applicable to taxable

years beginning after December 31, 2024.

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



**STATE OF HAWAII**  
**HAWAII CLIMATE CHANGE MITIGATION & ADAPTATION**  
**COMMISSION**  
POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

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Chair, DLNR  
Director, OPSD

**Commissioners:**  
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Director, C+C DPP  
Director, Maui DP  
Director, Hawaii DP  
Director, Kauai DP  
The Adjutant General  
Manager, CZM

**Testimony of**  
**Leah Laramee**  
**Coordinator, Hawai'i Climate Change Mitigation and Adaptation Commission**

**Before the House Committee on**  
**COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

**Wednesday, February 15, 2023**  
**2:00 PM**  
**State Capitol, Via Videoconference, Conference Room 329**

**In support of**  
**House Bill 389 House Draft 1**  
**RELATING TO TAXATION**

House Bill 389 HD1 Establishes a carbon sequestration income tax credit. **The Hawai'i Climate Change Mitigation and Adaptation Commission (Commission) supports this measure.**

Tax credits for carbon sequestration are intended to incentivize investment in carbon capture and sequestration. The Commission recognizes that carbon sequestration is a vital part of reaching the State's 2045 net negative emission's goals. The Commission suggests that the language in this bill clarify that the tax credit proposed in this bill is directed at entities that are able to permanently trap CO2 emitted from anthropogenic sources, such as power plants or industrial facilities, thereby reducing net emissions of this greenhouse gas into the atmosphere.

Mahalo for the opportunity to testify in support of this measure.

**HB-389-HD-1**

Submitted on: 2/13/2023 10:41:14 AM

Testimony for CPC on 2/15/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Andrew Crossland	Individual	Oppose	Written Testimony Only

Comments:

I oppose this Bill.

**HB-389-HD-1**

Submitted on: 2/13/2023 11:07:49 AM

Testimony for CPC on 2/15/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Patrick Karjala	Individual	Oppose	Written Testimony Only

Comments:

I am writing to OPPOSE HB389 HD1. Carbon sequestration practices, while good looking on the surface, are fraught with a lack of verifiable and actual carbon sequestration occurring.

It allows polluters to keep polluting in lieu of actually replacing technologies with more environmentally friendly ones.

Environmental Working Group: "Confronting the myth of carbon-free fossil fuels: Why carbon capture is not a climate solution" <https://www.ewg.org/news-insights/news/confronting-myth-carbon-free-fossil-fuels-why-carbon-capture-not-climate>

Stanford: "Stanford study casts doubt on carbon capture"  
<https://news.stanford.edu/2019/10/25/study-casts-doubt-carbon-capture/>

I urge this body to instead look at replacement technologies instead of carbon capture. Thank you for your time.

**HB-389-HD-1**

Submitted on: 2/14/2023 7:22:45 AM

Testimony for CPC on 2/15/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Caroline Azelski	Individual	Support	Written Testimony Only

Comments:

Support. Thank you.