

DAVID Y. IGE
GOVERNOR

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LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Chris Lee, Chair;
The Honorable Lorraine R. Inouye, Vice Chair;
and Members of the Senate Committee on Transportation

The Honorable Mike Gabbard, Chair;
The Honorable Clarence K. Nishihara, Vice Chair;
and Members of the Senate Committee on Agriculture and Environment

From: Isaac W. Choy, Director
Department of Taxation

Date: February 10, 2021

Time: 1:05 P.M.

Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 1309, Relating to Electric Vehicles

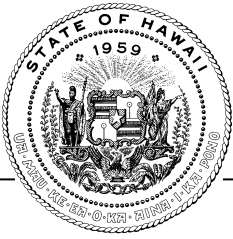
The Department of Taxation (Department) offers the following comments on S.B. 1309, for your consideration.

S.B. 1309 creates a 10% general excise tax (GET) surcharge on gross proceeds from the sale of non-zero-emission vehicles with a purchase price over \$60,000. S.B. 1309 is effective July 1, 2021.

First, the Department notes the term "zero-emission vehicle" is not defined in this measure. The Department strongly suggests that the term be explicitly defined to avoid any confusion.

Second, the Department requests this bill be effective no earlier than January 1, 2022 to give the Department time to update its forms, instructions, and computer system. Despite the fact that this is new surcharge is in the GET chapter, it will need to be administered as an entirely new tax.

Thank you for the opportunity to provide comments.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
**SENATE COMMITTEES ON TRANSPORTATION AND
AGRICULTURE AND ENVIRONMENT**

Wednesday, February 10, 2021
1:05 P.M.
Senate conference room 224

COMMENTS on
SB 1309
RELATING TO ELECTRIC VEHICLES.

Chairs Lee and Gabbard, Vice Chairs Inouye and Nishihara, and Members of the Senate Committees on Transportation and Agriculture and Environment, the Hawaii State Energy Office (HSEO) offers comments for SB 1309, which establishes an electric vehicle incentive program by imposing a one-time tax on the purchase of vehicles that are not zero emission vehicles, and makes an appropriation for administrative costs of the electric vehicle charging system rebate program.

SB 1309 aligns with the State's efforts to expand strategies and mechanisms to reduce greenhouse gas emissions through the reduction of energy use, adoption of renewable energy, and control of air pollution among all agencies, departments, industries, and sectors, including transportation.

SB 1309 has the moneys received from the tax being deposited into the Energy Security Special Fund (ESSF) and appropriates \$400,000 from the ESSF for each of the fiscal years 2021-2022 and 2022-2023 for deposit into the Public Utilities Commission (PUC) Special Fund. And it appropriates \$400,000 out of the PUC Special fund for each of the fiscal years 2021-2022 and 2022-2023 for administration of the electric vehicle charging system rebate program. The Executive Biennium Budget also includes a request for an ESSF expenditure ceiling of \$350,000 in fiscal years 2021-

2022 and 2022-2023 to continue the electric vehicle charging system rebate program created by Act 142, SLH 2019.

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

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

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

Thank you for the opportunity to testify.

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

TO THE
SENATE COMMITTEES ON
TRANSPORTATION
AND
AGRICULTURE AND ENVIRONMENT

February 10, 2021
1:05 p.m.

Chair Lee, Chair Gabbard, and Members of the Committees:

MEASURE: S.B. No. 1309

TITLE: RELATING TO ELECTRIC VEHICLES.

DESCRIPTION: Establishes an electric vehicle incentive program by imposing a one-time tax on the purchase of vehicles that are not zero emission vehicles. Makes an appropriation for administrative costs of the electric vehicle charging system rebate program.

POSITION:

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

COMMENTS:

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

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

It is the Commission's understanding that the appropriation language in this measure, combined with a corresponding increase to the expenditure ceiling of the PUC Special Fund, would allow the Commission to spend the funds generated by the proposed electric vehicle infrastructure incentive program. The Commission believes that this would resolve the concerns raised by the State Auditor and allow for the continuation of the rebate program.

Thank you for the opportunity to testify on this measure.

February 6, 2021

Aloha Chair and Members of the Committee,

As an owner of an electric vehicle as well as the owner of an environmental marketing company, I believe that policies like this are essential in order to put us on the right path to 100% renewable energy and carbon neutrality. The transportation sector is one of Hawaii's greatest contributors to our carbon footprint and pick-up trucks and cars are one of the first places to start if we want to make a switch. California declared that by 2025 they will no longer sell gas cars and companies across the world have committed to phasing out the production of all gas cars within the next 10-15 years- including GM which doesn't currently even make an electric car. The proof is in the pudding and this trend is here to stay.

A way to make this bill not negatively affect any farmers who might have to drive gasoline pick-up trucks for work would be to allow them to apply for a specific farm vehicle permit. This way, the bill would only impact those who are electing to have pick-up trucks. Additionally, there are now many electric pick-up trucks on the market for those who simply want to purchase a pick-up truck.

Lastly, as an electric vehicle owner, the stress of running out of charge is a constant presence. I drive a lot for work and am often not home, and am only able to recharge at home. Every time aside from 3 times since purchasing my car in July have I been able to locate an empty charging station on the island of Oahu. Using this tax to pay for more charging stations would not only alleviate stress for current car owners, but would make the possibility of purchasing these cars greater for many more people now that the cars themselves have become so much more affordable.

Mahalo for your time and please support SB 1309.

Alexandra Kahn

Take Flight Digital, Founder

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Surcharge on Motor Vehicle Sales

BILL NUMBER: SB 1309

INTRODUCED BY: LEE, ACASIO, CHANG, MISALUCHA, RHOADS, Keith-Agaran

EXECUTIVE SUMMARY: Establishes an electric vehicle incentive program by imposing a one-time tax on the purchase of vehicles that are not zero emission vehicles. Makes an appropriation for administrative costs of the electric vehicle charging system rebate program.

SYNOPSIS: Adds a new section to chapter 237, HRS, that imposes an additional tax of 10% on the gross proceeds, in excess of \$60,000, of sales of passenger cars and pickup trucks other than zero emission vehicles. Provides that all such taxes shall be deposited into the energy security special fund (section 201-12.8, HRS).

Makes related appropriations.

EFFECTIVE DATE: 7/1/2021.

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

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

The proposed measure would also perpetuate the earmarking of tax revenues. Incentives for electric vehicle infrastructure may be a worthy expense if considered alone. But does that justify a GET tax hike and without going through the normal appropriation and budgeting process that also considers invasive species, COVID-19 pandemic issues, and the aging infrastructure in our educational system?

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

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

Finally, we observe that the State's policy toward electric and other zero-emission vehicles has not been consistent.

Since 2012, several benefits came with the special plate that accompanied an electric vehicle, including the ability to park at government parking lots (including at the airport!) and street spaces for free, and the ability to jump into carpool lanes even though there is just one person in the car. Sadly, good things don't last forever. The free parking benefit and the carpool lane benefit expired on June 30, 2020, according to the terms of the 2012 law that spawned them (Act 168, SLH 2012).

From January 1, 2020, thanks to Act 280, SLH 2019, electric vehicle owners now can expect a \$50 surcharge on their annual vehicle registration fees. More is yet to come; the Department of Transportation has been pursuing the idea of funding improvements to highways and bridges with a Road Usage Charge, now called HiRUC, that will charge citizens per mile driven instead of (well, we think it's instead of, but our lawmakers may have other ideas) charging for fuel purchases through our current fuel tax. Owners of hybrids, electric vehicles, and alternative fuel vehicles can expect to pay quite a bit more under HiRUC than they are now paying under the fuel tax system.

The State and the public could benefit by having leadership and consistent policy relating to electric vehicles and other zero emission vehicles.

Digested 2/5/2021



600 Puuloa Road | Honolulu, HI 96819 | 808.831.2600

February 7, 2021

Committee on Transportation
Senator Chris Lee, Chair
Committee on Agriculture and Environment
Senator Mike Gabbard

Subject: **OPPOSITION** to **SB 1309: Relating to Electric Vehicles**

Dear Chairs Lee and Gabbard:

We OPPOSE HB 1309 because a luxury tax of 10% on all vehicles over \$60,000 has proven to be highly inefficient and catastrophic to the automotive industry in both the United States and Canada dating back to 1991 through 2002. As a result, it was eventually repealed in 2003.

1. This additional tax kept the automobile industry in a recession for a decade. The translatable impact on lower employment, small business closures, and an overall reduction in tax revenue. This is not a tax on a specific group of consumers, but a tax which will negatively impact all people who either are employed, service, or support businesses like ours.
2. Hawaii residents may look to purchase new vehicles from other States to circumvent the General Excise Tax, Import Tax, other proposed taxes like the HB1142 1% tax on all non-electric vehicles over \$50,000 and this 10% tax in HB1309. The pyramid taxation of the proposed taxes will elevate additional costs on vehicles to over 16.5%.
3. As a result, the local dealers will see a dramatic reduction in business, and employees and vendors will see the ramifications of this through lost jobs and wages.
4. Consumers will either not purchase these vehicles or purchase them out of State. The State will lose tax revenue on higher transaction amounts and see an overall reduction in revenue as a result of the proposed coupling of these taxes, or none at all due to the circumvention by consumers.

Respectfully,

Brad Nicolai
President



Email: communications@ulupono.com

SENATE COMMITTEES ON TRANSPORTATION AND AGRICULTURE & ENVIRONMENT
Wednesday, February 10, 2021 — 1:05 p.m.

Ulupono Initiative supports the intent of SB 1309, Relating to Electric Vehicles

Dear Chair Lee, Chair Gabbard and Members of the Committees:

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

Ulupono supports the intent of SB 1309, which establishes an electric vehicle incentive program by imposing a one-time tax on the purchase of vehicles that are not zero-emission and makes an appropriation for administrative costs of the electric vehicle charging system rebate program.

Ulupono finds that electric vehicles (EVs) are an important avenue to address Hawai'i's pressing climate issues and align with the State's energy and environmental goals. EVs currently offer an effective option to advance clean, renewable ground transportation and provide immediate benefits to Hawai'i. However, though EV sales grew by more than 40% in 2020, they currently only represent about one percent of all passenger vehicles in the state. Hawai'i must encourage this still nascent market and be prepared with the necessary infrastructure.

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

This bill is critical to progress the State's carbon emission and clean transportation goals. However, we prefer that legislators ensure that 1) more funds be allocated to support EV charging infrastructure, particularly in lower-income areas and more rural locations, and 2) total funds raised best align with the intended primary use of funds.

Investing in a Sustainable Hawai'i

Hawai'i Should Be Doing More

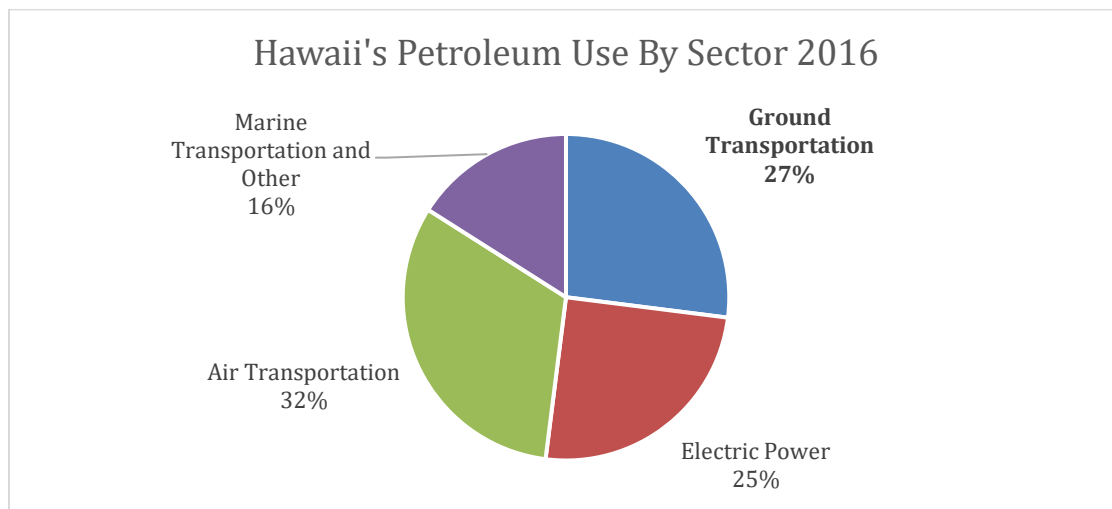
The Governor of California recently signed an executive order to eliminate the sale of new gas cars and trucks by 2035. California joins a multitude of countries and cities across Europe, as well as China and British Columbia, which have taken similar measures to eliminate the sale of new fossil fuel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

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

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

EVs Provide Immediate Energy and Environmental Impact

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



Source: Hawai'i State Energy Office – Hawai'i Energy Facts & Figures

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

EVs can also support integrating more renewables on the electric grid with smart charging



technology and rate structures. Thus, proliferating EVs throughout Hawai'i can help accelerate progress towards the State's 100 percent RPS goal, as well as contribute to the State's Paris Agreement commitments and carbon-neutral goal.

This bill is an important measure for the State to push for the decarbonization of our economy while showing the world that Hawai'i is a clean energy leader.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
TRANSPORTATION
AND
COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

**SB 1309
Relating to Electric Vehicles**

February 10, 2021
1:05 PM, Agenda Item # 2
State Capitol, Conference Room 224 / VIDEO CONFERENCE

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

Aloha Chair Lee, Chair Gabbard, Vice Chair Inouye, Vice Chair Nishihara, and Committee Members,

My name is June Chee and I am testifying on behalf of Hawaiian Electric Company **supporting the intent of SB 1309**, Relating to Electric Vehicles.

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

In 2019, Hawaiian Electric conducted its Electric Vehicle Critical Backbone Study, which looked at the forecasted need for public and private electric vehicle charging infrastructure in the next 10 years. The backbone study projected a need of seven times more public charging by 2030 and an even greater need for private commercial and

residential charging. This insight helped the Company focus its planning for the coming influx of electric vehicles through electrification of transportation programs such as EV-specific rates to encourage daytime charging; an electric bus make ready infrastructure pilot; a request to expand our public charging network; and our proposed Charge Ready Hawai'i pilot. The Charge Ready Hawai'i program will provide make ready infrastructure support to commercial properties, fleet owners, and multi-unit dwellings, which are key locations that serve EV charging needs of current and future EV drivers. The current EV charging system rebate program administered by Hawaii Energy has proven to be successful, widely adopted, and needed to encourage further EV and EV infrastructure adoption. The EV charging system rebate program offers cost-share for the Charge Ready Hawai'i pilot making EV infrastructure installation even more cost-efficient for participants.

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



Before the Senate Committee on Transportation
Wednesday, February 10, 2021, 1:05pm

Testimony Providing Comments on SB1309: Relating to Electric Vehicles

Chair Lee, Vice-Chair Inouye, and Members of the Committee:

Thank you for the opportunity to provide comments on Senate Bill 1309.

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

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

To date, the program has provided \$140,500 rebates, resulting in the installation of five (5) new Level 2 chargers and the retrofit of 30 existing Level 2s and one (1) DCFC in Kaua'i, Honolulu and Hawai'i counties. There are currently \$224,500 worth of rebates in progress, and should all of these applications come through, they will result in an additional 21 new Level 2 chargers, 20 retrofitted Levels 2s and two (2) new DCFCs being installed. There is currently \$35,000 available, and Hawai'i Energy is actively promoting the incentive to stakeholders and potential customers.

Based on 12 months of administering the EVCS rebate under Act 142, the current annual funding requirement is about \$200,000, which could result in the installation of 44 new Level 2 chargers or retrofit of 66 existing Level 2s. Hawai'i Energy would also be open to extending our affordable housing bonus rebate through our current Triennial contract with the Public Utilities Commission that expires in June 2022. The bonus rebate is funded by the Public Benefits Fee for Honolulu, Maui and Hawai'i counties.

Thank you for the opportunity to provide comments on SB1309.

Sincerely,
Brian Kealoha
Executive Director
Hawai'i Energy

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



TESTIMONY REGARDING SB 1309
Senate Committee on Transportation
February 10, 2021 at 1:05 PM

Aloha Chair Lee, Vice Chair Inouye, and Members of the Committee:

Thank you for the opportunity to provide testimony on SB 1309, which would impose a ten percent tax on passenger cars and trucks that are not zero emission vehicles (ZEV) with a MSRP greater than \$60,000. All revenues would fund an existing electric vehicle infrastructure program overseen by the Public Utilities Commission.

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

While forward thinking, SB 1309 represents a significant missed opportunity for Hawaii to implement a feebate, considered “one of the best available policy options to reduce passenger car emissions” by the International Council of Clean Transportation (ICCT)¹, one of the most well-respected transportation research organizations in the world. Feebate systems impose a fee on vehicles with high CO2 emissions or fuel consumption and provide a rebate to vehicles with low CO2 emissions or fuel consumption.

According to a report² prepared for the Quebec government, “What makes feebate systems unique is the possibility for governments to design a regime that is self-funded, with fees collected on more polluting vehicles subsidizing those that are more environmentally friendly. The other key benefit of a feebate system is a cohesive policy approach, where both the fees and rebates are guided by, assessed against, and adjusted in tandem to achieve the same policy objectives.” Feebate systems have proven highly effective in many European Union nations in speeding adoption of clean transportation by providing the right market signals to incentivize ZEV adoption and disincentivize purchases of highly polluting vehicles. For example, after Italy implemented a feebate in 2019 ZEV adoption increased tenfold.

It is worth noting that these and other programs tie incentives and disincentives to vehicle performance on a CO2-per-mile basis rather than a specific technology or MSRP of a gas vehicle. As such, they can be credibly marketed as a technology-neutral approach focused on reducing emissions. In contrast, MSRP does not appear correlated with vehicle emissions—there are many “gas guzzlers” under \$50,000—and, again, SB 1309 passes up the opportunity to discourage high fuel consumption and improve public health.

In order to increase the likelihood of incentive dollars going to low-middle income consumers, some programs also impose a price cap on ZEVs eligible for incentives. Others offer an “ecobonus” if a consumer scraps an internal combustion vehicle of a certain age. These are just two examples of program design options that the state can consider in order to meet equity or environmental goals.

¹ <https://theicct.org/spotlight/feebate-systems>

² https://www.equiterre.org/sites/fichiers/report_the_road_ahead_to_low-carbon_mobility_low.pdf

In closing, while intended to dissuade consumers from purchasing gas vehicles, SB 1309 does not directly encourage consumers to purchase a zero emission vehicle (ZEV). For a consumer protection perspective, this seems fundamentally unfair.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 9, 2021

TO: Senator Chris Lee
Chair, Committee on Transportation

Senator Mike Gabbard
Chair, Committee on Agriculture and Environment

FROM: Tiffany Yajima

RE: **S.B. 1309, Relating to Electric Vehicles**
Hearing Date: Wednesday, February 10, 2021 at 1:05 p.m.
Conference Room: 224

Dear Chair Lee, Chair Gabbard, and members of the Joint Committees:

On behalf of the Alliance for Automotive Innovation (“Auto Innovators”) we submit this testimony in **opposition** of S.B. 1309, Relating to Electric Vehicles.

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

The intent of this measure is to establish a 10% tax on the sale of gasoline-powered vehicles valued over \$60,000 in support of the state electric vehicle charging system rebate program under HRS 269-72 and 269-73.

Automobile manufacturers support state efforts to grow Hawaii’s EV charging network but are concerned that this measure would disproportionately impact the labor, construction, and agriculture sectors, as well as other sectors of business that utilize large vehicles, such as trucks and vans, in their fleets to transport tools and materials. While the intent of this measure is to tax high-end luxury vehicles purchased by wealthier consumers, this tax, to fund EV infrastructure, not only would raise the cost of vehicle fleets but would also raise the cost of vehicles typically purchased by families and working individuals.

Currently, the only pick-up trucks available for sale in the U.S. are gasoline-powered. With no electric alternative, the majority of consumers driving pick-up trucks and vans would be subject to the tax with no other vehicle options to meet their work needs. Contractors, plumbers, electricians, tradesmen, farmers, and other workers

that utilize these larger vehicles for businesses would be disproportionately impacted by this measure. Additionally, families and other consumers with special interests who require larger vehicles would be negatively impacted by this fee.

The \$60,000 price point in this measure also appears to be arbitrarily set and automakers are concerned that vehicles priced below this figure may be unintentionally included in the tax as consumers add various options to their vehicles. These options are not frivolous add-ons, but can include important features like all wheel drive, navigation systems, engine/transmission upgrades, driver assist systems, and other advanced life-saving technologies. Consumers may forego these important add-ons to stay under the price point established by this bill. Moreover, we are concerned that some consumers may altogether forego buying newer, safer and more environmentally-friendly vehicles, opting instead to purchase used vehicles with lower fuel economy and outdated safety features to avoid the additional tax established in this bill.

By assessing the surcharge on only gas-powered vehicles over an arbitrary price point, this measure assumes that higher priced vehicles are detrimental to the environment. There is no logical connection between price and environmental harm. In fact, according to the U.S. EPA and U.S. Department of Energy, the most fuel-efficient midsize station wagon has a cost of over \$50,000. Additionally, many of the most fuel-efficient full-size vehicles cost more than the \$60,000 threshold in this bill. The higher cost brought on by the surcharge could result in many cost-conscious consumers purchasing less fuel-efficient vehicles to avoid the additional fee.

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

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

For these reasons we respectfully ask the committees to defer this measure.

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



**SENATE COMMITTEE ON TRANSPORTATION
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

February 10, 2021, 1:05 P.M.
Video Conference

TESTIMONY IN SUPPORT OF SB 1309

Aloha Chairs Lee and Gabbard, Vice Chairs Inouye and Nishihara, and committee members:

Blue Planet Foundation **supports SB 1309, which establishes a revenue-neutral feebate** through a surcharge on the sale of luxury gasoline vehicles to provide funding for Hawai'i's existing electric vehicle (EV) charging system rebate program. At a time when the state budget is strapped but policy action on climate is still urgently needed, Senate Bill 1309 provides an innovative and revenue-neutral funding pathway for ensuring that Hawai'i's successful EV charging station rebate program continues.

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

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

Building a robust, equitable, and accessible charging network

Even as the number of EVs in the state increases steadily, adequate and accessible vehicle charging infrastructure remains a roadblock to widespread EV adoption. The International

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

² *Ibid.*

Energy Agency found that “the availability of chargers emerged as one of the key factors for contributing to the market penetration of EVs.”³ Unlike gasoline car owners, 80% of EV drivers charge their cars at home or at work.⁴ Residents in multi-unit dwellings or condos, however, are often unable to find a place to charge, preventing them from receiving the benefits of EVs. This is a fundamental equity issue in Hawai‘i: a large segment of residents in Hawai‘i live in multi-family housing, in part because single-family homes are financially out of reach for many.

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

Ensuring that Hawai‘i’s successful EV-charging system rebate program continues at a critical time

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

By charging a surcharge (or “fee”) on luxury gasoline vehicles, and then using the collected revenue to fund “rebates” for publicly available charging stations through an already-established and successful program, the “feebate” in SB 1309 is a revenue-neutral strategy for continuing the needed build out of Hawai‘i’s still-woefully inadequate public charging network. We note that this fee is appropriately targeting high-end luxury vehicles that directly contribute to climate change. According to the Hawai‘i Auto Dealers Association, the average vehicle price in Hawai‘i is approximately \$32,000. The majority of trucks and SUVs sold in Hawai‘i are less than the \$50,000 threshold specified in SB 1309. The most popular vehicle sold in Hawai‘i, the Toyota Tacoma, is currently below \$45,000 for nearly all versions of the vehicle.

³ *Global EV Outlook 2017*, International Energy Agency, June 2017, <https://www.iea.org/reports/global-ev-outlook-2017>.

⁴ *Ibid.*

Preparing Hawai'i for the electric mobility revolution

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

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

Senate Bill 1309 is necessary to prepare Hawai'i with charging infrastructure for this influx of electric vehicles.

Conclusion

By providing additional, much-needed funding for EV charger rebates **without pulling from the general fund or other state funds**, the “feebate” in SB 1309 can accelerate Hawai'i's transition away from fossil fuel while expanding access to EV charging options—and increasing consumer confidence in choosing an EV—for the many Hawai'i residents that do not currently have access to charging at home or at work. A robust public charging network that includes workplaces, commercial locations, and multi-family housing is a necessary component of an equitable clean transportation future. Convenient charging and clean mobility options should be available to all Hawai'i residents.

Thank you for the opportunity to provide testimony.



John Uekawa, President
Dave Rolf, Executive Director



LATE

HADA Testimony in OPPOSITION to SB1309
RELATING TO ELECTRIC VEHICLES

Presented to the Senate Committee on Transportation and the Senate
Committee on Agriculture and the Environment
Public Hearing 1:05 p.m. Wednesday, February 10, 2021 in Room 224

VIA VIDEO CONFERENCE
Hawaii State Capitol
by David H. Rolf for the members of the Hawaii Automobile Dealers
Association

Chairs Lee and Gabbard, Vice Chairs Inouye and Nishihara and members of the committee:

HADA dealers oppose this bill.

A 10% tax on gasoline vehicles on amounts over \$60,000 MSRP would simply send customers of these vehicles off-shore.

With the average price of a new car approaching \$40,000, there are many vehicles in this price range.

People are creative. With the money they would save by avoiding a Hawaii tax like this, they would simply buy off-shore, and ship the vehicles in.

That's what happened in a Canadian province when it passed a similar luxury-type tax.

Buyers purchased in neighboring provinces and brought their vehicles in. The result was a loss of tax revenue for both the province and local businesses.

The same would occur in Hawaii resulting in the loss of local business revenues and state tax revenues, and the loss of jobs, at a critical time when dealerships are working to recover losses caused by the pandemic.

Furthermore, the tax would not just be on luxury cars, there are many large work trucks that fall in the category of above \$60,000 MRSP.

HADA testimony on SB1309, page 2 of 2.

These trucks are purchased by farmers, construction workers and tradesmen.

The Hawaii Auto Outlook which was published this week, shows that one luxury EV brand in Hawaii accounted for 80% of Hawaii's EV purchases.

It would be wrong to charge buyers of work trucks an extra tax in order to pay government rebates to well-to-do luxury EV buyers, to subsidize their charging stations, especially when the current EV charging station rebate fund is adequately funded and working well.

Hawaii Energy, the administrator of the EV charging rebate fund reports this.

“To date, the (EV charging station rebate) program has provided \$140,500 in rebates, resulting in the installation of five (5) new Level 2 chargers and the retrofit of 30 existing Level 2s and one (1) DCFC in Kaua'i, Honolulu and Hawai'i counties. There are currently \$224,500 worth of rebates in progress, and should all of these applications come through, they will result in an additional 21 new Level 2 chargers, 20 retrofitted Levels 2s and two (2) new DCFCs being installed. There is currently \$35,000 available, and Hawai'i Energy is actively promoting the incentive to stakeholders and potential customers.”

HADA dealers respectfully asks that the committees defer SB1309

Respectfully submitted,

David H. Rolf

For the members of the Hawaii Automobile Dealers Association

68 new car dealerships, 4,383 direct jobs, \$5.8 billion total sales, \$269 million State Gross Excise Taxes paid



John Uekawa, President
Dave Rolf, Executive Director



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SB-1309

Submitted on: 2/6/2021 4:27:21 PM

Testimony for TRS on 2/10/2021 1:05:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruta Jordans	Individual	Support	No

Comments:

Wonderful way to promote purchase of electric vehicles!

SB-1309

Submitted on: 2/8/2021 12:39:54 PM

Testimony for TRS on 2/10/2021 1:05:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Quinn	Individual	Support	No

Comments:

Dear Honorable Committee Members,

Please support SB1309.

Thank you,

Andrea Quinn