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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 596, Relating to Taxation.

BEFORE THE:

Senate Committee on Transportation and Culture and the Arts

DATE: Tuesday, February 4, 2025

TIME: 3:00 p.m.

LOCATION: State Capitol, Room 224

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

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 596 for your consideration.

S.B. 596 amends chapter 235, Hawaii Revised Statutes (HRS), by adding a new section for an income tax credit in an unspecified amount for each electric garbage truck purchased by a qualified taxpayer. There is additionally an unspecified aggregate cap for each taxable year. The nonrefundable income tax credit can be carried forward into subsequent tax years until exhausted.

The act takes effect upon its approval and applies to taxable years beginning after December 31, 2024.

DOTAX notes that it is unable to administer aggregate caps. If the aggregate cap is maintained, DOTAX requests that a third party provide certification of credit claims and administration of the aggregate cap proposed in subsection (d).

DOTAX also recommends clarification on whether the proposed tax credit awarded is a set dollar amount for each electric garbage truck purchased as contemplated in subsection (b) or based on the amount of qualified expenses incurred as stated in subsection (c). These two subsections cannot coexist. If the credit is to be

awarded based on qualified expenses, then DOTAX recommends that the term “qualified expenses” be defined. If the credit is to be awarded as a set amount in subsection (b), then DOTAX recommends that the credit only be available for each electric garbage truck purchased by the qualified taxpayer “in the taxable year.”

DOTAX further requests that the bill be amended to be effective for taxable years beginning after December 31, 2025. This will allow sufficient time for the necessary form, instruction, and computer system changes, and providing taxpayer guidance.

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



To: The Senate Committee on Transportation and Culture and the Arts (TCA)
From: Sherry Pollack, 350Hawaii.org
Date: Tuesday, February 4, 2025, 3pm

In support of SB596

Aloha Chair Lee, Vice Chair Inouye, and Committee members,

I am Co-Founder of the Hawaii chapter of 350.org, the largest international organization dedicated to fighting climate change. 350Hawaii.org **supports SB596** that establishes an income tax credit for the purchase of electric garbage trucks by qualified taxpayers.

The transportation sector contributes more to the climate crisis than any other sector in Hawaii. The 'Decade of Action' calls for accelerating sustainable solutions to confront the climate crisis. Providing a tax incentive that promotes the purchase of electric garbage trucks is an effective strategy for reducing emissions and meeting our emission reduction goals.

Mahalo for the opportunity to submit testimony in support of SB596

Sherry Pollack
Co-Founder, 350Hawaii.org

TAX FOUNDATION OF HAWAII

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SUBJECT: NET INCOME; Tax Credit for Electric Garbage Trucks

BILL NUMBER: SB 596, HB 105

INTRODUCED BY: SB by MORIWAKI, CHANG, KIDANI, RHOADS; HB by TAM, MARTEN

EXECUTIVE SUMMARY: Establishes an income tax credit for the purchase of electric garbage trucks by qualified taxpayers. Applies to taxable years beginning after 12/31/2024.

SYNOPSIS: Adds a new section to Chapter 235 for a nonrefundable income tax credit of \$_____ for each electric garbage truck purchased by a qualified taxpayer. Tax credits in excess of a taxpayer's net income tax liability may be used in subsequent years until exhausted.

Qualified expenses incurred by a partnership, S corporation, estate, or trust, entity upon which the credit is computed shall be determined at the entity level and the distribution and share of the tax credit shall be determined by administrative rule,

The total amount of tax credits allowed under this section in any taxable year shall not exceed \$_____, provided that any taxpayer who is not eligible to claim the credit due to the \$_____ cap shall be eligible to claim the credit in the subsequent taxable year.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

Electric garbage truck is defined as a motor vehicle that is powered by an electric motor via electricity stored in a high-capacity battery or generated from an onboard fuel cell and used for the transport or disposal of garbage or solid waste.

Qualified Taxpayer is defined as a taxpayer that receives compensation for the transport or disposal of garbage or solid waste within the State.

EFFECTIVE DATE: Upon approval, shall apply taxable years beginning after December 31, 2024.

STAFF COMMENTS: This bill, firstly, contains too many blanks in key places and is impossible to vet in its current form.

Next, lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy

merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when we need money to support victims of natural disasters like the Maui wildfires, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

In any event, a direct appropriation for a grant or subsidy program would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive when compared to the credit uptake, which is likely to be a small amount because the class of potential beneficiaries of the credit does not appear to be large. A direct appropriation may be a far less costly method to accomplish the same thing.

As a technical matter, there appears to be an inconsistency within the bill. Subparagraph (b) provides the tax credit to be \$_____ for each garbage truck purchased; whereas in the case of partnerships, S corporations, estates and trusts, subparagraph (c) indicates the tax credit is allowed for "qualified expenses," which is not defined in the bill.

Digested: 2/2/2025

LATE

SB-596

Submitted on: 2/3/2025 8:41:13 PM

Testimony for TCA on 2/4/2025 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Comments	Written Testimony Only

Comments:

Comment: Explore the option to "lease" the electric trucks BEFORE the compnay "invest" in such vehicle. Questons: The cost of replacement of a battery, is there a recycle facilitty for the battery, trained or retrained mechanic, and so forth.

Testimony on SB596

Johnnie-Mae L. Perry