

Honolulu, Hawaii

MAR 06 2015

RE: S.B. No. 349
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 349, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to promote greater energy security for Hawaii.

More specifically, this measure:

- (1) Establishes a renewable fuels production tax credit; and
- (2) Repeals the ethanol facility tax credit.

Your Committee received written comments in support of this measure from the Blue Planet Foundation, Hawaii Energy Policy Forum, Hawaii Renewable Energy Alliance, Pacific Biodiesel Technologies, and one individual.

Your Committee received written comments on this measure from the Department of Business, Economic Development, and Tourism, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that Hawaii is one of the most isolated land masses on Earth and imports nearly ninety per cent of its energy needs. As a result, Hawaii is extremely vulnerable to soaring prices or disruptions of its energy imports, which can hinder, cripple, or even devastate the State's economy and the



well-being of its inhabitants. Your Committee believes that it is critical for Hawaii to become more energy self-sufficient and that establishing a renewable fuels production tax credit has the potential to significantly increase renewable energy growth in Hawaii.

However, your Committee notes that concerns have been raised that the measure may establish a geographic limitation on interstate commerce. As such, your Committee requests that the Attorney General review the measure to determine if it raises concerns under the Commerce Clause of the United States Constitution.

Your Committee has amended this measure by:

- (1) Clarifying the definition of the term "qualifying renewable fuels";
- (2) Deleting the definition of "renewable fuels," since its meaning is included within the scope of the definition of "qualifying renewable fuels," and making conforming amendments to the term throughout the measure; and
- (3) Changing the effective date to July 1, 2053, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 349, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 349, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



JILL N. TOKUDA, Chair



