

Honolulu, Hawaii

FEB 05 2016

RE: S.B. No. 2652

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Transportation and Energy, to which was referred S.B. No. 2652 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this Act is to:

- (1) Establish a five-year renewable fuels production tax credit, to be repealed on December 31, 2021;
- (2) Repeal the ethanol facility tax credit;
- (3) Allow qualifying taxpayers to claim a refundable income tax credit equal to 20 cents per seventy-six thousand British thermal units of renewable fuel, capped at \$3,000,000 per taxable year, with a limit of \$3,000,000 per year in aggregate;
- (4) Require the Department of Business, Economic Development, and Tourism to certify all tax credits and submit a report regarding the production and sale of renewable fuels to the Governor and Legislature each year; and
- (5) Require the Department of Taxation to create forms for the tax credit.



Your Committee received testimony in support of this measure from Hawai'i Gas. Your Committee received comments on this measure from the Department of Taxation; Department of Business, Economic Development and Tourism; Department of the Attorney General; and Tax Foundation of Hawaii.

Your Committee finds that renewable fuels are cleaner, lower cost alternative fuels for residential, commercial, and industrial customers. Renewable fuels are the most efficient source of heat energy and is cleaner burning, making it the perfect bridge to Hawaii's clean energy future. This measure encourages the production of renewable fuels, as a diversified fuel mix to achieve the State's renewable energy goals.

Your Committee has amended this measure upon the recommendation of the Department of the Attorney General to:

- (1) Amend the definition of "renewable fuels" to delete the requirement that the fuels be produced from renewable feedstocks having its point of origin within the State; and
- (2) Delete the requirement that the renewable fuels be produced in the State.

As affirmed by the record of votes of the members of your Committee on Transportation and Energy that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2652, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2652, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Transportation and  
Energy,

  
LORRAINE R. INOUE, Chair



