

# TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Tax Credit to Convert or Buy Hydrogen-Powered Buses

BILL NUMBER: HB 684

INTRODUCED BY: NAKASHIMA, KAPELA, LOWEN, Aquino

EXECUTIVE SUMMARY: Establishes an income tax credit for the conversion of gasoline powered buses to hydrogen powered buses or the purchase of new hydrogen powered buses.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish a nonrefundable tax credit equal to \_\_\_% of the qualified expenses of a qualified taxpayer up to \$\_\_\_\_\_ in any taxable year.

Specifies that the credit is determined at the entity level and provides that distribution and share of credit shall be determined by administrative rule.

All tax credit claims shall be filed before the end of the 12th month following the close of the taxable year for which the credit may be claimed, upon pain of waiver of the right to claim the credit.

Credits are nonrefundable but may be carried forward until exhausted.

Defines “qualified expenses” as costs incurred by the taxpayer to: (1) Convert gasoline-powered buses to hydrogen-powered buses; or (2) Purchase new hydrogen-powered buses.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. 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.

Furthermore, tax credits 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 our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse, overtaxed by the pandemic?

If lawmakers want to subsidize this activity, then a direct appropriation would be more accountable and transparent. That way lawmakers will be very clear on (1) how much we taxpayers are paying, and (2) what we are getting in return. For example, lawmakers could authorize a grant program for the purchase of or conversion to electric buses much like how Hawaii Energy offers rebates for energy-saving appliances and components.

Digested 2/8/2021

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
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To: The Honorable Nicole E. Lowen, Chair;  
The Honorable Lisa Marten, Vice Chair;  
and Members of the House Committee on Energy & Environmental Protection

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 11, 2021  
Time: 9:00 A.M.  
Place: Via Videoconference, Hawaii State Capitol

**Re: H.B. 684, Relating to Taxation**

The Department of Taxation (Department) offers the following comments regarding H.B. 684 for your consideration.

H.B. 684 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a new nonrefundable tax credit for qualified expenses incurred to either convert gasoline-powered buses into hydrogen-powered buses or to purchase new hydrogen-powered buses. The credit is set at an unspecified percentage of taxpayer's qualified expenses, up to an unspecified maximum dollar amount. The measure applies to taxable years beginning after December 31, 2020.

The Department notes that the definition of "qualified expenses" as currently drafted is quite broad. The Department recommends amending this measure to include specified percentages and individual cap amounts, as well as additional definitions, criteria, and restrictions for the proposed credit. This will help to better effectuate the Legislature's desired policy goals, eliminate major administrative difficulties, and avoid unintended revenue losses.

Finally, the Department respectfully requests that the date of applicability of this new credit be delayed until taxable years beginning after December 31, 2021. This will give the Department sufficient time to make the necessary form, instructions, and computer system changes.

Thank you for the opportunity to provide comments.

**HB-684**

Submitted on: 2/9/2021 12:28:12 PM

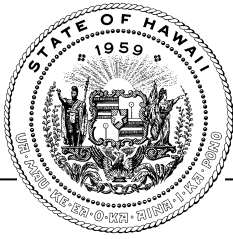
Testimony for EEP on 2/11/2021 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Marc Rubenstein	Individual	Oppose	No

Comments:

I am submitting testimony in OPPOSITION to this bill.

There is no infrastructure to support buses operating on hydrogen once converted.



# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE  
GOVERNOR

SCOTT J. GLENN  
CHIEF ENERGY OFFICER

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Testimony of  
**SCOTT J. GLENN, Chief Energy Officer**

before the  
**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Thursday, February 11, 2021  
9:00 AM  
State Capitol, Conference Room 325

Comments in consideration of  
**HB 684**  
**RELATING TO TAXATION.**

Chair Lowen, Vice Chair Marten, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on HB 684, which establishes an income tax credit for the conversion of gasoline-powered buses to hydrogen-powered buses or the purchase of new hydrogen-powered buses.

HSEO's comments are guided by its mission to promote energy efficiency, renewable energy, energy resiliency, and clean transportation to help achieve a decarbonized economy. HSEO defers to the Department of Taxation regarding implementation of the credit.

As an energy carrier made from an extremely common and abundant element, hydrogen offers great promise in both the transportation and electricity sectors.<sup>1</sup>

A white paper jointly authored by Deloitte and Ballard identifies fuel cell electric buses as being an initial area for wide application of fuel cells, since most buses are used for public operations with predictable driving patterns that require few refueling stations. The white paper noted that near-term challenges include cost and issues related to the newness of the technology compared to existing internal combustion engines.<sup>2</sup> The report provides several examples of successful hydrogen vehicle deployments around the world, as well as several analyses.

We appreciate the overall concept of this bill as it includes initiatives supportive of HSEO's goals and objectives, but we are also aware of the cost implications generated by this proposal, particularly as the State continues its economic recovery resulting from the pandemic.

Thank you for the opportunity to testify.

- <sup>1</sup> United States Department of Energy, [Hydrogen Strategy](#); National Renewable Energy Laboratory, [Resource Assessment for Hydrogen Production](#).
- <sup>2</sup> Deloitte and Ballard, [Fueling the Future of Mobility: Hydrogen and Fuel Cell Solutions for Transportation](#)