



**TESTIMONY TO THE  
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION  
ON  
S.B. 2766, SD1 RELATING TO ETHANOL  
Tuesday, February 12, 2008 at 9:25 a.m.  
State Capitol, Room 224**

**By  
Robert Maynard  
President and Chief Executive Officer  
Aloha Petroleum, Ltd.**

Chair Fukunaga and Members of the Senate Committee on Economic Development and Taxation, I am Robert Maynard, President and Chief Executive Officer of Aloha Petroleum, Ltd.

Aloha Petroleum supports Senate Bill 2766, SD1, which creates a tax credit for retail stations for the installation of E-85 fueling facilities effective December 31, 2008. However, Aloha Petroleum's application to install an E-85 fueling facility on Oahu was denied by the Honolulu Fire Department because gasoline dispensing equipment has not yet been approved by Underwriters Laboratory ("UL"). Without UL-approved E-85 gasoline dispensing equipment, companies may be reluctant to build and install E-85 fueling facilities in Hawaii.

Thank you for the opportunity to testify in support of Senate Bill 2766, SD1.

## L E G I S L A T I V E

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**SUBJECT:** INCOME, Credit for E-85 fueling facilities

**BILL NUMBER:** SB 2766, SD-1

**INTRODUCED BY:** Senate Committees on Energy and Environment and Commerce, Consumer Protection and Affordable Housing

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to allow any owner of a retail gas station to claim a tax credit for the actual cost of the installation of an E-85 fueling facility that is installed and placed in service after December 31, 2008.

Requires the director of taxation to prepare the forms necessary to claim the credit, validate a claim for the credit, and adopt rules necessary to effectuate this section pursuant to HRS chapter 91.

Defines "E-85" for purposes of the measure.

**EFFECTIVE DATE:** January 1, 2050

**STAFF COMMENTS:** While this measure proposes an income tax credit for the installation of an E-85 fueling facility by the owner of a gas station, the measure does not specify the amount of the credit. Barring any specific credit amount, it is questionable whether the proposed credit will be sufficient to encourage the installation of an E-85 fueling facility. Currently, gasoline is required to be blended with 10% ethanol (E-10). E-85 is the term for motor fuel blends of 85% ethanol and 15% gasoline for use in a specially designed motor vehicle. Since the E-85 gasoline contains more ethanol than gasoline, gas station owners would have to replace or retrofit their stations to accommodate the E-85 fuel.

It should be noted that tax credits generally are designed to reduce the tax burdens of certain groups by refunding a portion of taxes paid on purchases of essential items and services. The proposed credit would result in a handout of state funds as there is no obvious undue burden of taxes due to the station owner.

It should be remembered that giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. As such, it is an insult to all other taxpayers that they are not deserving of such tax preferences. Rather than singling out a particular group for tax relief, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses. Proposing tax credits to solve problems has become for legislators almost Neanderthal, second only to just throwing money at a problem. Given that E-85 vehicles are not widespread in the 50th State, one has to question this furtive effort to proliferate the number of outlets that would offer E-85 fuel, especially when it comes at the expense of all other taxpayers. In the end, handing out these tax credits or expenditures amounts to nothing more than a tax increase for all other taxpayers who do not utilize this type of vehicle.

Digested 2/11/08