STAND. COM. REP. NO. 1286

Honolulu, Hawaii Mirch 27 , 2009 RE: S.B. No. 464 S.D. 2 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fifth State Legislature Regular Session of 2009 State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 464, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to encourage capital investment in renewable energy technologies by making the investment more attractive to a wider range of investors who would be able to make use of the renewable energy technologies income tax credit.

The measure removes the restriction on the type of income the tax credit can be used to offset, allows special allocations of the tax credit in certain cases, and prohibits a taxpayer who claims the renewable energy technologies income tax credit from claiming any other income tax credit using the same actual costs or from qualifying as a qualified high technology business. The measure also excludes a depreciation deduction from passive activity losses.

The American Council of Engineering Companies of Hawaii, the Blue Planet Foundation, the Hawaii Renewable Energy Alliance, the Hawaii Solar Energy Association, Hawaiian Electric Company and its subsidiary utilities, Maui Electric Company and Hawaii Electric Light Company, Sennet Capital LLC, and SunPower Systems Corporation testified in support of the measure. The Building



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Industry Association of Hawaii testified in support of the intent of the measure. The Department of Taxation testified in opposition to the measure. Dowling Company, Inc. and the Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that preventing passive activity losses from including a depreciation deduction would cause a lack of conformity between state tax law and federal tax law and would result in a substantial reduction in taxable income. Your Committee also finds that, rather than allowing special allocations of the renewable energy technologies income tax credit in certain cases, it would be simpler and more practical to allow most taxpayers to elect refundable or nonrefundable treatment of the tax credit.

Your Committee has amended this measure by deleting the contents of this measure and replacing it with the contents of Part III of S.B. No. 1173, S.D. 1, to conform to the Internal Revenue Code by amending the renewable energy technologies income tax credit to encourage use of solar and wind energy systems and permitting a portion of the excess of the credit over payments due to be refunded to the taxpayer in certain circumstances.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 464, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 464, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

SB464 HD1 HSCR LRB 09-3114.doc

Respectfully submitted on behalf of the members of the Committee on Energy & Environmental Protection,

Namina morita

HERMINA MORITA, Chair

HSGR 1286

State of Hawaii House of Representatives The Twenty-fifth Legislature

Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.:	Committee Referral:		Date:	
5B 464, 5D2	B 464, SD2 EEP, FIN 3.24-09			
The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Dess, unamended (as is) Pass, with amendments (HD) Dess, Hold				
Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. MORITA, Hermina M. (C)	V			
2. COFFMAN, Denny (VC)	~			
2 CARANULA D'I-	./			
3. CABANILLA, Rida				
4. CHANG, Jerry L.	~			
5. CHONG, Pono				
6. HAR, Sharon E.				
7. HERKES, Robert N.	V			
8. ITO, Ken				
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9. LEE, Chris	V			
10. LUKE, Sylvia	ĺ ✓			
11. SAGUM, Roland D., III	V			
12. CHING, Corinne W.L.				
12. CHING, COIMINE W.L.				
13. THIELEN, Cynthia	1			
TOTAL (13)	13	0	0	б
The recommendation is: Image: Adopted lif joint referral, did not support recommendation.				
If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: Coffice				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				