Honolulu, Hawaii

MAR 0 4 2011

RE: S.B. No. 772
        S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

     Your Committee on Ways and Means, to which was referred S.B.
No. 772, S.D. 1, entitled:

     "A BILL FOR AN ACT RELATING TO BIOFUEL FACILITIES,"

begs leave to report as follows:

     The purpose and intent of this measure is to expand renewable
energy production in the State by:

     (1)   Renaming the "ethanol facility tax credit" to the
           "biofuel production facility tax credit" and expanding
           application of the tax credit to include various
           biofuels;

     (2)   Changing the determination of the biofuel production
           facility tax credit from thirty per cent of nameplate
           capacity to 30 cents per gallon of production;

     (3)   Requiring qualified facilities to be located within the
           State and to utilize locally grown feedstock for at
           least seventy-five per cent of its production output;

     (4)   Changing the amount of certified credits from
           $12,000,000 to an unspecified amount;

     (5)   Revising the reporting requirement for taxpayers
           claiming the tax credit to include type of biofuel and
           percentage of Hawaii-grown feedstock used; and

(6)   Removing the forty million gallon production cap per
       year.

Your Committee received written comments in support of this
measure from Richard Lim, Interim Director, Department of
Business, Economic Development, and Tourism; and Warren Bollmeier
II, President, Hawaii Renewable Energy Alliance.

Your Committee received comments on the measure from the Tax
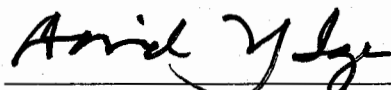Foundation of Hawaii.

Your Committee finds that this measure encourages higher
levels of renewable energy production, while balancing possible
tax revenue losses against revenue gains and growth from industry
expansion. Although the ethanol facility tax credit was
established in 2004, the production costs of ethanol and biofuel
have risen steeply, forcing the closure of production facilities
throughout the nation.

Your Committee further finds that this measure supports
growth in the renewable energy industry and enables a broader
variety of companies to take advantage of the tax benefits of a
biofuel production facility tax credit.

Your Committee has amended this measure by changing the
amount of the biofuel production facility tax credit from 30 cents
to an unspecified amount to facilitate further discussion on the
issue.

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. 772, S.D. 1, as amended herein, and recommends that it pass
Third Reading in the form attached hereto as S.B. No. 772, S.D. 2.

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

                                   _____
                                   DAVID Y. IGE, Chair

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB 772 SD1	EDT/ENE, WAM	2/24/11

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:_____

The Recommendation is:

☐ Pass, unamended ☑ Pass, with amendments ☐ Hold ☐ Recommit
  2312   2311   2310   2313

Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)				✓
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.				✓
RYAN, Pohai	✓			
TOKUDA, Jill N.	✓			
WAKAI, Glenn	✓			
SLOM, Sam		✓		
TOTAL	11	1	0	2

Recommendation:

☑ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

Suzanne Chun Oakland

Distribution:	Original	Yellow	Pink	Goldenrod
	File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy

*Only <u>one</u> measure per Record of Votes

Revised: 01/20/11