



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Wednesday, April 8, 2015

3:00 p.m.

State Capitol, Conference Room 308

in consideration of

SB 349, SD2, HD1

RELATING TO TAXATION.

Chair Luke, Vice Chair Nishimoto, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) offers comments on SB 349, SD2, HD1 which would establish a renewable fuels production tax credit and repeal the ethanol facility tax credit.

DBEDT would like to point out three issues with this measure. Although no firm has yet taken advantage of the ethanol facility tax credit, there is no definitive analysis that suggests that locally produced ethanol is not feasible, thus it may be premature to repeal the facility tax credit prior to conducting such analysis. Secondly, DBEDT notes that a refundable production tax credit can provide perverse incentives from producers by potentially allowing producers to overproduce with no intent or requirement to sell while still claiming the credit for production. Finally, DBEDT is concerned that the financial and human resources (approximately \$100,000 and 0.5 full-time equivalent) required to administer the duties of this bill are not included in its current budget and should not replace or adversely impact priorities indicated in the Executive Budget.

Though DBEDT defers to the Department of Taxation on its part of the administration of the tax, DBEDT requests that the committee add a definition of “taxable year” and “year” as one that starts from January 1 through December 31. Because businesses can file tax returns at any

time of the year and can set their own taxable year, defining the year would simplify the administration of the bill by making it possible to calculate the annual allowable tax credit and administer the aggregate cap on the amount of allowable tax credits on a first-come, first-served basis.

DBEDT defers to the Department of Budget and Finance and Department of Taxation on the fiscal impacts of the bill. DBEDT also defers to the Attorney General on the legal aspects, especially concerning the definition of “renewable fuels,” which may be in conflict with the commerce clause of the US Constitution.

Thank you for the opportunity to offer these comments regarding SB 349, SD2, HD1.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Wednesday, April 8, 2015
Time: 3:00 P.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 349, S.D. 2, H.D. 1, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 349, S.D. 2, H.D. 1 and offers the following comments.

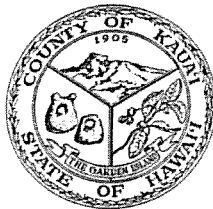
S.B. 349, S.D. 2, H.D. 1 repeals the current ethanol facility tax credit and creates a refundable income tax credit for production of renewable fuels. The tax credit would provide 20 cents of credit per every 76,000 British Thermal Units of fuel produced in a taxable year. The credit applies for a five year period, beginning when a taxpayer begins qualifying renewable fuel production at the threshold rate. The credit must be certified by the Department of Business, Economic Development, and Tourism (DBEDT), and is capped at \$3,000,000 per taxpayer per year, and has an aggregate cap of \$12,000,000 per year. S.D. 2, H.D. 1 has a defective effective date of July 1, 2053.

The Department generally has concerns regarding the inclusion of an aggregate cap on the total amount of tax credits. In this instance, DBEDT is required to certify the credits prior to taxpayers claiming the credit by filing with the Department; thus, the Department defers to DBEDT regarding its ability to perform this certification function.

The Department notes that the renewable fuels production tax credit provided under this measure is refundable. A refundable tax credit allows a taxpayer to receive a refund if the credit amount exceeds the tax liability. As a general matter, the Department prefers that tax credits be non-refundable due to the potential for abuse that refundable tax credits create.

Thank you for the opportunity to provide comments.

Bernard P. Carvalho, Jr.
Mayor



George K. Costa
Director

Nadine Nakamura
Managing Director

OFFICE OF ECONOMIC DEVELOPMENT

County of Kaua'i, State of Hawai'i

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**Before the House Committee on Finance
Wednesday, April 8, 2015
Conference Room 308
3:00 p.m.**

IN SUPPORT OF SB 349 SD2, RELATING TO TAXATION

Chair Luke, Vice Chair Nishimoto, Representative Tokioka, and Members of the Committee,

While our State has made great strides towards clean energy in the electricity sector, our progress to date in the ground transportation sector has been much more challenging. SB 349 SD2 provides a much needed incentive to help Hawaii's nascent biofuels market to grow. By stimulating the biogas market in particular, we can simultaneously capture a renewable fuel for use in transportation and prevent release of a potent greenhouse gas into the atmosphere. We strongly support the use of renewable feedstock for this purpose, and in particular, organics separated from the MSW stream.

County of Kauai is committed to working in partnership with the State to achieve the goals of the Hawaii Clean Energy Initiative, and this is a very worthwhile addition to the body of policy measures that can assist us in that end.

The County of Kaua'i supports this bill.

Thank you for the opportunity to provide this testimony.

Sincerely,

Ben Sullivan
Energy Coordinator
Office of Economic Development
County of Kauai

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable fuels production tax credit

BILL NUMBER: SB 349, HD-1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Replaces the ethanol fuels income tax credit with a renewable fuels production income tax credit to encourage the production of such fuels. A direct appropriation would be preferable as it would provide some accountability for the taxpayer funds being utilized to support this effort.

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to establish a renewable fuels production tax credit. The credit shall be allowed to taxpayers producing qualifying renewable fuels provided the credit shall not be claimed for more than five years.

The annual dollar amount of the credit shall be 20 cents per 76,000 British thermal units (BTU) of renewable fuels using the lower heating value produced for distribution in Hawaii; provided that the production by the facility is not less than 15 billion BTUs of renewable fuels per year. Limits the amount of tax credit that may be claimed by a taxpayer to \$3 million per taxable year.

Defines “credit period” and “net income tax liability.” Defines “qualifying renewable fuels” as fuels produced in the state from renewable feedstocks at the production facility located in the state and the fuels produced will be sold in the state, and meet the relevant ASTM International specifications for the particular fuel or other industry specifications for liquid or gaseous fuels, including but not limited to: (1) methanol, ethanol, or other alcohols; (2) hydrogen; (3) biodiesel or renewable diesel; (4) biogas; (5) other biofuels; or (6) renewable jet fuel or renewable gasoline. Defines “renewable feedstocks” as biomass crops; agricultural residues; oil crops, including but not limited to algae, canola, jatropha, palm, soybean and sunflower; sugar and starch crops, including but not limited to sugar cane and cassava, other agricultural crops; grease and waste cooking oil; food wastes; municipal solid wastes and industrial wastes; water and animal residues and wastes that can be used to generate energy.

Requires the department of business, economic development and tourism (DBEDT) to verify and certify each claim for the credit including the total amount of credit for each taxable year and the cumulative amount of tax credit during the credit period. The department shall issue a certificate to qualifying taxpayers who shall file the certificate with the department of taxation (DOTAX).

If in any year the annual amount of certified credits reaches \$12 million in the aggregate, DBEDT may discontinue certifying credits and notify the department of taxation.

If the amount of credits exceeds the taxpayer’s income tax liability, the excess of credit over liability shall be refunded to the taxpayer.

Prior to production of any qualifying renewable fuels for the year, the taxpayer is to provide written notice of the taxpayer's intention to begin production of qualifying renewable fuels to DOTAX and DBEDT with information on the taxpayer, facility location, facility production capacity, anticipated production start date, and the taxpayer's contact information. The taxpayer shall also provide written notice to the director of taxation and the director of DBEDT within 30 days following the start of production and include the production start date and expected renewable fuel production for the next year.

In each calendar year during the credit period, the taxpayer shall provide information to the director of DBEDT on the number of BTUs of renewable fuels produced and sold during the previous calendar year, the type of fuels, feedstocks used for renewable fuels production, the number of employees of the facility and each employee's state of residency, and the projected number of BTUs of renewable fuels production for the succeeding year.

Directs the director of DBEDT, following each year in which a credit under this section has been claimed, to submit a written report to the governor and legislature regarding the production and sale of renewable fuels. Requires DOTAX to prepare the necessary forms to claim the credit, and requires the taxpayer to furnish information to validate a claim for the credit.

Repeals the ethanol facility tax credit under HRS section 235-110.3.

EFFECTIVE DATE: July 1, 2053; applicable to tax years beginning after December 31, 2015

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to replace the ethanol facility tax credit with a renewable fuels production tax credit.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few years is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are irresponsible as the cost of these credits goes far beyond what was ever intended. Instead, lawmakers should consider repealing the ethanol facility credit and look for other types of alternate energy to encourage through the appropriation of a specific number of taxpayer dollars. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would: (1) provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check.

Ethanol was the panacea of yesterday; lawmakers have since learned that there are more minuses to the use of ethanol than there are pluses. Ethanol production demands more energy to produce than using a traditional petroleum product to produce the same amount of energy, and the demand for feedstock that is used to produce ethanol basically redirects that feedstock away from traditional uses, causing products derived from the feedstock to substantially increase in price. It may make sense to encourage development of other alternative fuels that will not have these issues, but doing it in open-ended fashion by way of a tax credit is an invitation to abuse.

An appropriation of taxpayer dollars for such untried and unproven technologies would be far more accountable than the tax credit as such technologies would have undergone the scrutiny of lawmakers. Providing a tax incentive is an indicator that lawmakers are unwilling to do the hard research and unwilling to impose strict discipline in the expenditure of hard-earned tax dollars. The tax incentive approach represents nothing more than a hope and a wish that some breakthrough will be made, no matter how inefficient it may be, that some alternative to fossil fuel will be found. In the meantime, those tax dollars will be wasted on some unproven folly. If this were an appropriation, taxpayers would then know who to hold accountable for the waste of those tax dollars.

This, along with numerous other proposals targeted at certain types of business activity, is truly an indictment of what everyone has known and acknowledged since before Hawaii became a state, that is, the climate imposed by government regulations and taxation makes it difficult to survive without some kind of subsidy such as tax credits from government. Once those subsidies disappear, so will the businesses. Instead of throwing out such breaks for special interests, lawmakers must endeavor to make Hawaii's business climate more welcoming and conducive to nurturing budding entrepreneurs.

Digested 4/7/15



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, HI Inst. for Public Affairs
Joseph Boivin, Hawai'i Gas
Warren Bollmeier, HI Renewable Energy Alliance
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Leslie Cole-Brooks, HI Solar Energy Assn
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH HI Natural Energy Institute
Jay Fidell, ThinkTech HI, Inc.
Carl Freedman, Haiku Design & Analysis
Sen. Mike Gabbard, HI State Senate
Dan Giovanni, Hawaiian Electric Company
Mark Glick, State Energy Office, DBEDT
Justin Gruenstein, City & Co. of Honolulu
Dale Hahn, Ofc of US Sen Brian Schatz
Michael Hamnett, Research Corp. of the UH
Randy Iwase, Public Utilities Commission
Rachel James, Ofc of US Rep. Tulsi Gabbard
Jim Kelly, Kaua'i Island Utility Cooperative
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Rep Chris Lee, HI House of Representatives
Gladys Marrone, Building Industry Assn of HI
Doug McLeod, Maui County
Stephen Meder, UH Facilities and Planning
Sharon Moriwaki, UH So. Sci. Public Policy Ctr
Ron Nelson, U.S. Defense Energy Support Center
Tim O'Connell, U.S. Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Darren Pai, Hawaiian Electric Company
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, HI Government Employees Assn
Rick Rocheleau, UH HI Natural Energy Institute
Will Rolston, Hawai'i County
Riley Saito, SunPower Systems Corp
Joelle Simonpietri, U.S. Pacific Com. Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kaua'i County
Maria Tome, Public Utilities Commission
Alan Yamamoto, Ofc of Sen Mazie Hirono
Ah Linn Yamane, HI Government Employees Assn

Testimony of Warren Bollmeier
Chair, Renewable Energy Working Group
Hawaii Energy Policy Forum

Before the
House Committee on Finance
Wednesday, April 8, 2015 at 3:00pm in Conference Room 308

IN SUPPORT OF SB349 SD2 HD1 – Relating to Renewable Fuels

Chair Luke, Vice Chair Nishimoto, and Members of the Committee,

I am Warren Bollmeier, Chair of the Renewable Energy Working Group of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of more than 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

The purpose of SB349 SD2 HD1 is to replace the existing Ethanol Facility Investment Tax Credit (Section 243-3.5, Hawaii Revised Statutes) with a Renewable Fuels Production Tax Credit.

The Forum supports SB349 SD2 HD1 as it would help us meet the transportation fuels component of the Hawaii Clean Energy Initiative. Specifically, we note after having worked on various precursor versions of this bill for the past several years that this bill would:

1. Create opportunities for a broad range of facilities in Hawaii to produce renewable fuels and. Specifically, in addition to ethanol, the credit would be eligible for facilities that could produce liquid or gaseous fuels, including methanol, biodiesel, biojet, hydrogen and biogas,
2. Reward successful developers in Hawaii based on how much they produce and not how much they invest,
3. Encourage local farmers to work with developers to produce local feedstocks, and
4. Result in the creation of sustainable jobs in Hawaii and valuable contribution to Hawaii's economy.

Thus, the Forum respectfully urges its passage of SB349 SD2 HD1.

Mahalo for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations.



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Testimony of ERIK KVAM
President of Renewable Energy Action Coalition of Hawaii
e-mail: Erik.Kvam@REACHhawaii.org

In SUPPORT of SB 349 HD1 RELATING TO TAXATION

Before the
HOUSE COMMITTEE ON FINANCE

April 8, 2015 3:00 p.m.

Aloha Chair Luke, Vice-Chair Nishimoto and members of the Committee.

My name is Erik Kvam. I am the President of Renewable Energy Action Coalition of Hawaii (REACH). REACH is a trade association whose vision is a Hawaiian energy economy based 100% on renewable sources indigenous to Hawaii.

REACH is in **SUPPORT** of SB 349 HD1.

Hawaii is far behind in achieving its renewable goals for transportation. Transportation fuels account for about two-thirds of all the energy consumed in Hawaii. Virtually all of Hawaii's energy for transportation comes from imported fuels.

Without renewable fuel production from sources indigenous to Hawaii, Hawaii will have virtually no fuel available for critical transportation needs when imported fuels stop flowing to Hawaii.

REACH **SUPPORTS** SB 349 HD1 – creating a production tax credit of so-many cents per 76,000 BTUs of renewable fuels produced from sources indigenous to Hawaii -- to encourage the development of renewable fuel production from sources indigenous to

Hawaii, so that Hawaii has the transportation fuels it needs when imported fuels stop flowing to Hawaii.

Thank you for providing this opportunity to testify.



Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Wednesday, April 8, 2015 — 3:00 p.m. — Room 308

Ulupono Initiative Supports SB 349 SD 2 HD 1 with Amendments, Relating to Taxation

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

My name is Murray Clay and I am Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase clean, renewable energy, and waste reduction. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono supports SB 349 SD 2 HD 1, which establishes a renewable fuels production tax credit. In recent years Hawai'i has seen significant growth in renewable energy adoption moving the State towards its renewable energy goals. However, while the state locally produces about 14% renewable electricity, renewable fuels are far less than 1% of fuel use. Electricity represents approximately 40% of energy use in the state while transportation fuels account for a larger share at 51%. This is disturbing as this means we are making the least amount of progress to date in renewable production for the largest share of the state's energy use.

This important bill could be made more effective in achieving Hawai'i's renewable energy goals with two amendments:

1. On page 4, line 5, the per taxable year limit be put to at least \$6 million per taxable year, which is equivalent to 30 million gallons per year of production. It is important to note that renewable fuel facilities as large as 50 million gallons per year of capacity have been proposed for Hawai'i. Furthermore, ethanol imports alone, at a 10% blend with gasoline, amounted to more than 45 million gallons last year. If we want to replace a meaningful portion of imported fuels with locally produced renewable fuels, at least \$6 million per taxable year is a reasonable amount that balances enough incentive for developers while minimizing cost for the State.

Investing in a Sustainable Hawai'i

2. On page 5, line 11, the aggregate limit should be increased to \$18 million. In truth, any aggregate limit will make biofuels production facilities much more difficult to finance since the developer can never be sure his/her project will be completed in time to receive the credit – before the aggregate limit is reached. This means developers will not be able to include such benefits in their financing decisions. Nevertheless, understanding that the committee would prefer to have a limit to reduce the risk of an unexpectedly large tax credit claim, an \$18 million limit seems reasonable. This would then allow up to three 30 million gallon per year facilities in Hawai‘i if amendment #1 above was also adopted. That would be 90 million gallons per year in aggregate or about double the amount of imported ethanol. This would also allow for production facilities on more than one island – for example, one 30 million gallon per year facility on three different islands.

Furthermore, we also request that on page 3, line 18, the production tax credit remain equal to 20 cents per seventy six thousand British thermal units throughout the remaining legislative process. We feel that is a reasonable figure that would incentivize production while limiting impact to the State’s budget.

We strongly believe that this bill has the potential to open the door for significant renewable energy growth in Hawai‘i.

As Hawai‘i’s energy issues become more complex and challenging, we appreciate this committee’s efforts to look at policies that support renewable energy production.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

MEMORANDUM

TO: SENATE COMMITTEE ON FINANCE
SEN. SYLVIA LUKE, CHAIR
SEN. SCOTT Y. NISHIMOTO, VICE CHAIR

FROM: KARL BOSSERT, DIRECTOR OF BUSINESS DEVELOPMENT - PACIFIC

SUBJECT: SB349 HD1 RELATING TO THE CREATION OF A REVEWABLE FUEL
PRODUCTION TAX CREDIT, AND REPEALING THE ETHANOL FACILITY TAX
CREDIT

POSITION: **SUPPORT**

DATE: APRIL 7, 2015

Anaergia Services, LLC (Anaergia) would like to thank Chair Luke, Vice Chair Nishimoto, and the Senate Committee on Finance as a whole, for taking the time to discuss the House Bill SB349, HD1.

This bill relates to the creation of a renewable fuels production tax credit and repeals the ethanol facility tax credit. This bill will allow qualifying taxpayers to claim a fundable income tax credit equal to 20 cents per seventy six thousand British thermal units of qualifying renewable fuel, capped at \$3,000,000 per year for up to five years.

Anaergia strongly supports this bill because it allows a variety of technologies and renewable fuels to qualify. In repealing the ethanol facility tax credit and replacing it with a broader production tax credit, this will allow such fuels as biodiesel and other liquid renewable fuels to qualify, as well as gaseous fuels such as biogas.

The bill will help promote the development of renewable fuel facilities throughout the state. These facilities can be fed by sewerage sludge or municipal waste addressing Hawaii's landfill capacities, as well as agricultural based materials, revitalizing the ag industry within the State. Finally, and most importantly, this bill will help achieve the State's renewable energy targets with renewable fuels, creating firm renewable energy to be generated without the need for expensive energy storage facilities.

finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 07, 2015 7:22 AM
To: FINTestimony
Cc: robichaud001@hawaii.rr.com
Subject: Submitted testimony for SB349 on Apr 8, 2015 15:00PM

SB349

Submitted on: 4/7/2015

Testimony for FIN on Apr 8, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
David Robichaux	Hawaii Biofuels Foundation	Support	No

Comments: Please support SB 349

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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April 7, 2015

**Testimony on Senate Bill 349, SD2, HD1 Relating to Taxation
SUPPORT**

Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair
Hearing April 8, 2015 at 3:00 p.m., Conference Room 308

Dear Chair Luke, Vice Chair Nishimoto and Committee Members,

The management, investors and 70+ employees of the Pacific Biodiesel ohana thank you for hearing Senate Bill 349 SD2, HD1 for consideration by the Committee on Ways and Means. This bill is crucial to the expansion of the biofuels industry in Hawaii, especially since our state is so far behind in our transportation renewable energy goals. We wholeheartedly testify in favor of this measure.

This bill supports the State of Hawaii's interest in becoming more energy self-sufficient, and does not add any additional burden to the state budget since it just broadens the use of funding already designated for ethanol production. If SB349, SD2, HD1 is passed, it will be one of the most important actions the Legislature can take to incentivize local renewable fuel production, support current and future local jobs as well as ensure the future energy security of our island communities.

Pacific Biodiesel employs about 75 people in a wide range of positions from chemists to engineers, office and sales personnel to biodiesel facility operators and farmers, as well as numerous outside consultants. Employment represents \$3 million in wages paid in 2013 and continued operations generate over \$20 million in revenue in the State of Hawaii every year. When biodiesel is purchased from Pacific Biodiesel in Hawaii, over 85% of the money stays in the Hawaii economy, and 98% of the money stays in the US economy. This is truly an economic boost as opposed to the economic drain of foreign petroleum.

It is the goal of all those connected with Pacific Biodiesel to continue with our mission to promote a clean, sustainable energy future through the community-based production of renewable fuels, but we need your help as federal support for biofuel continues to be inconsistent and short-term. Meanwhile, the petroleum industry with whom we must compete enjoys on-going, statutory support at all levels of government.

We ask you to consider our proposed changes and please pass SB349, SD2, HD1 to support the continued efforts of renewable fuel producers throughout the State of Hawaii.

Mahalo,

Kelly T. King

Kelly King
Vice President
ktk@biodiesel.com



Directors

Joe Boivin
Hawaii Gas

Kelly King
Pacific Biodiesel

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE
HOUSE COMMITTEE ON FINANCE

SB 349 SD2 HD1, RELATING TO TAXATION

April 8, 2015

Chair Luke, Vice-Chair Nishimoto and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of SB 349 SD2 HD1 are to: (i) establish a renewable fuels production tax credit and repeal the ethanol facility tax credit; (ii) 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 year for up to five years; (iii) cap the credit at \$12,000,000 per year in aggregate; (iv) 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; (v) direct the DOTAX to create forms for the tax credit; and (vi) apply to taxable years beginning after December 31, 2015.

HREA **strongly supports** this measure with the following comments:

- 1) Meeting Our Clean Energy. This measure supports our clean energy goals by encouraging business opportunities in the production and sale of renewable fuels in Hawaii.
- 2) Merits of a Production Tax Credit ("PTC"). We believe a PTC is the best way for the state to support biofuel production in Hawaii. With a PTC, a "producer" gets paid when the producer actually produces, not when he installs his production facility. This reduces the risk to the state significantly. The PTC has other features that we find attractive:
 - a) we believe the PTC will be straightforward to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii; and
 - b) the PTC will help facilitate effective producer-ag grower relationships to grow renewable feedstocks for the production of local renewable fuels.

Recommendation: We recommend passing the measure out "as is."

Mahalo for this opportunity to testify.



April 7, 2015

Testimony on Senate Bill 349, SD2, Relating to Taxation

SUPPORT

House Committee on Finance

Chair: Sylvia Luke

Vice Chair: Scott Nishimoto

Hearing April 8, 2015 at 3:00 p.m., Conference Room 325

Aloha Chair Sylvia Luke, Vice Chair Scott Nishimoto and Committee Members,

I am Guy Kaniho, General Manager of BioEnergy Hawaii, LLC., we are developing an Integrated Waste Conversion Facility on the Big Island of Hawaii. This facility will utilize Municipal Solid Waste (MSW) as well as other organic materials to produce sustainable feedstock for use in anaerobic digestion. The integrated operations will also produce biofuels for use in the transportation and power generation industry as well as usable byproducts, such as natural fertilizer, high-quality compost, and soil amendments to support agricultural initiatives.

The purpose of SB 349 SD2 is to replace the existing Ethanol Facility Investment Tax Credit (Section 243-3.5, Hawaii Revised Statutes) with a Renewable Fuels Production Tax Credit.

BioEnergy Hawaii, LLC. SUPPORTS, SB 349 SD2 as it would help us meet the transportation fuels component of the Hawaii Clean Energy Initiative. In addition SB 349 SD2 would:

1. Create opportunities for a broad range of facilities in Hawaii to produce renewable fuels. Specifically, in addition to ethanol, the credit would be eligible for facilities that could produce liquid or gaseous fuels, including methanol, biodiesel, biojet fuel, hydrogen and biogas.
2. Reward successful developers in Hawaii based on how much they produce and the sale of renewable fuels in Hawaii.
3. Encourage local farmers to work with developers to produce local feedstocks.
4. Result in the creation of sustainable jobs in Hawaii and valuable contribution to Hawaii's economy.

Thus BioEnergy Hawaii supports the passage of SB 349 SD2, as is.

Mahalo for the opportunity to testify.

A handwritten signature in black ink, appearing to read "Guy Kaniho".

Guy Kaniho
General Manager
BioEnergy Hawaii



From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 07, 2015 10:52 PM
To: FINTestimony
Cc: susanlray@hawaiiantel.net
Subject: Submitted testimony for SB349 on Apr 8, 2015 15:00PM

SB349

Submitted on: 4/7/2015

Testimony for FIN on Apr 8, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Bradford	Individual	Support	No

Comments: Please support SB349....tax credits are important to truly get us off fossil fuels and bring more clean energy to Hawaii. thank you, Susan Bradford

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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