
A BILL FOR AN ACT

RELATING TO BIOFUELS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the State of Hawaii
2 has set a goal of achieving one hundred per cent clean energy by
3 the year 2045. Hawaii is the most fossil fuel dependent state
4 in the nation, which can be explained in large part by the
5 State's economic dependence on tourism and the military, as well
6 as the reliance on the shipping industry to deliver consumer
7 goods and industrial materials. Reducing Hawaii's reliance on
8 fossil fuels and getting one hundred per cent of the State's
9 energy from renewable resources will help Hawaii's economy by
10 keeping an estimated \$3,000,000 in the State that would
11 otherwise be spent on imported oil.

12 Biofuels could significantly advance the State's clean
13 energy goals. Biofuels use organic matter to produce a
14 predictable supply of green energy that can be stored in
15 presently used power plants and consumed locally by air, marine,
16 and ground transportation. Additionally, biofuels can be
17 locally produced, directly creating job growth in Hawaii's
18 energy, farming, and manufacturing industries. In May of 2016,



1 the sustainable biodiesel alliance provided a Pacific Biodiesel
2 plant with the first United States-based certification of
3 sustainability for a biodiesel plant. This certification
4 demonstrates that investing in biofuel technology can lead to
5 increases in the technology's efficiency, profitability, and
6 sustainability as a renewable energy source.

7 Act 202, Session Laws of Hawaii 2016, created a
8 nonrefundable tax credit for the production of renewable fuels,
9 including biodiesel, to be implemented through 2021. According
10 to Pacific Biodiesel President Robert King, Act 202, Session
11 Laws of Hawaii 2016, will encourage investment in renewable fuel
12 production in Hawaii, create jobs, provide clean energy
13 security, and fight climate change. In 2017, the legislature
14 unanimously adopted S.C.R. No. 121, Regular Session of 2017,
15 calling for a Hawaii green fuels initiative to increase jobs and
16 local food and biofuel feedstock production across the State.

17 Furthermore, increasing biofuel production may increase
18 food security for Hawaii. Currently, nearly ninety per cent of
19 Hawaii's food is imported, making Hawaii's population especially
20 vulnerable to shipping and food supply disruptions resulting
21 from natural disasters and other global events. Research



1 conducted by the World Bank in 2010 and ABF Economics in 2013
2 found no direct correlation between biofuels and elevated food
3 prices. Therefore, investing in biofuel production can improve
4 agricultural development and crop yields that are important to
5 Hawaii's food security without increasing costs for consumers.

6 The purpose of this Act is to expand the availability of
7 the renewable fuels production tax credit by lowering the
8 production threshold and expanding the types of renewable fuel
9 eligible for the credit.

10 SECTION 2. Section 235-110.31, Hawaii Revised Statutes, is
11 amended as follows:

12 1. By amending subsection (a) to read:

13 "(a) As used in this section:

14 "Credit period" means a maximum period of five consecutive
15 years, beginning from the first taxable year in which a taxpayer
16 begins renewable fuels production at a level of at least
17 [~~fifteen~~] two billion five-hundred million British thermal units
18 of renewable fuels per calendar year.

19 "Net income tax liability" means income tax liability
20 reduced by all other credits allowed under this chapter.

21 "Renewable feedstocks" means:



- 1 (1) Biomass crops [7] and other renewable organic material,
- 2 including but not limited to logs, wood chips, wood
- 3 pellets, and wood bark;
- 4 (2) Agricultural residues;
- 5 (3) Oil crops, including but not limited to algae, canola,
- 6 jatropha, palm, soybean, and sunflower;
- 7 (4) Sugar and starch crops, including but not limited to
- 8 sugar cane and cassava;
- 9 (5) Other agricultural crops;
- 10 (6) Grease and waste cooking oil;
- 11 (7) Food wastes;
- 12 (8) Municipal solid wastes and industrial wastes;
- 13 (9) Water; and
- 14 (10) Animal residues and wastes,
- 15 that can be used to generate energy.

16 "Renewable fuels" means fuels produced from renewable
17 feedstocks, provided that the fuel:

- 18 (1) Is sold as a fuel in Hawaii; and
- 19 (2) Meets the relevant ASTM International specifications
- 20 or other industry specifications for the particular
- 21 fuel, including but not limited to:



- 1 (A) Methanol, ethanol, or other alcohols;
- 2 (B) Hydrogen;
- 3 (C) Biodiesel or renewable diesel;
- 4 (D) Biogas;
- 5 (E) Other biofuels; [~~e~~]
- 6 (F) Renewable jet fuel or renewable gasoline[-]; or
- 7 (G) Logs, wood chips, wood pellets, or wood bark."

8 2. By amending subsection (b) to read:

9 "(b) Each year during the credit period, there shall be
 10 allowed to each taxpayer subject to the taxes imposed by this
 11 chapter, a renewable fuels production tax credit that shall be
 12 applied to the taxpayer's net income tax liability, if any,
 13 imposed by this chapter for the taxable year in which the credit
 14 is properly claimed.

15 For each taxpayer producing renewable fuels, the annual
 16 dollar amount of the renewable fuels production tax credit
 17 during the five-year credit period shall be equal to 20 cents
 18 per seventy-six thousand British thermal units of renewable
 19 fuels using the lower heating value sold for distribution in
 20 Hawaii; provided that the taxpayer's production of renewable
 21 fuels is not less than [~~fifteen~~] two billion five hundred



1 million British thermal units of renewable fuels per calendar
2 year; provided further that the amount of the tax credit claimed
3 under this section by a taxpayer shall not exceed \$3,000,000 per
4 taxable year. No other tax credit may be claimed under this
5 chapter for the costs incurred in producing the renewable fuels
6 that are used to properly claim a tax credit under this section
7 for the taxable year."

8 SECTION 3. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 4. This Act shall take effect upon its approval;
11 provided that section 2 of this Act shall apply to taxable years
12 beginning after December 31, 2017.



Report Title:

Renewable Fuel Tax Credit

Description:

Expands the renewable fuel tax credit cap by lowering the production threshold and expanding the types of renewable fuel eligible for the credit. Applies to taxable years after 12/31/2017. (CD1)

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