

STAND. COM. REP. NO.

2813

Honolulu, Hawaii

FEB 14 2020

RE: S.B. No. 3150
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committees on Agriculture and Environment and Energy,
Economic Development, and Tourism, to which was referred S.B.
No. 3150 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the environmental response, energy, and food security tax to address carbon emissions;
- (2) Increase the tax rate to effectively set a price of \$40 per metric ton of carbon dioxide emissions in 2021; and
- (3) Incrementally increase the tax rate over time to effectively set a price of \$80 per metric ton of carbon emissions in 2030.

Your Committees received testimony in support of this measure from the Hawaii State Energy Office, University of Hawai'i System Hawaii Natural Energy Institute, Americans for Democratic Action, Hawaii Island Citizens' Climate Lobby, Maui Chapter of the Citizens' Climate Lobby, Blue Planet Foundation, IMUAlliance, and nine individuals. Your Committees received testimony in opposition to this measure from Calypso Charters, Ocean Tourism Coalition, Kaua'i Island Utility Cooperative, and Chamber of



Commerce Hawaii. Your Committees received comments on this measure from the Hawaii Climate Change Mitigation and Adaptation Commission, Department of Taxation, Department of Land and Natural Resources, Department of Agriculture, Tax Foundation of Hawaii, Hawai'i Gas, Hawaii Petroleum Marketers Association, Department of Transportation, and one individual.

Your Committees find that climate change is the most critical threat to the State of Hawaii and the overwhelming consensus of climate scientists is that climate change is the result of increasing greenhouse gasses in the Earth's atmosphere. Your Committees further find that the Hawaii Climate Change Mitigation and Adaptation Commission has stated that the most effective single means of reducing greenhouse gas emissions is to "put a price on carbon".

Your Committees find that a carbon emissions tax may be accomplished by establishing a use-based tax on all carbon dioxide-emitting fuels, such as oil, gas, and coal. The Department of Taxation already implements various fuel-based taxes, and a state carbon emissions tax can be implemented by amending the environmental response, energy, and food security tax, commonly known as the barrel tax. A carbon emissions tax can be assessed and collected for each fuel based on the carbon dioxide-emitting content of that fuel. Your Committees believe that establishing a carbon tax will decrease carbon use and emissions and assist in mitigating climate change impacts.

Your Committees have heard concerns expressed in testimony regarding the disproportionate impact this measure will have on low-income residents. To address these concerns, your Committees believe that a refundable income tax credit for individuals earning moderate to low household incomes could alleviate some of the increased costs incurred by those households that would result from the imposition of a carbon emissions tax.

Your Committees have amended this measure by:

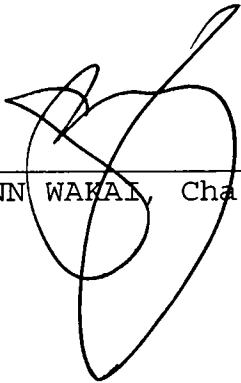
- (1) Inserting a tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers;
- (2) Restoring the definition of "barrel";



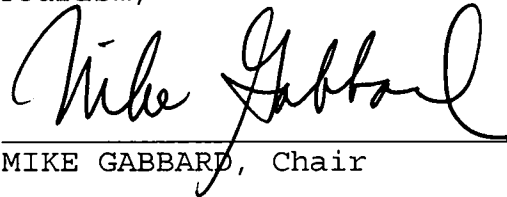
- (3) Inserting an effective date of January 1, 2022; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Agriculture and Environment and Energy, Economic Development, and Tourism that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3150, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3150, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Environment and Energy,
Economic Development, and
Tourism,



GLENN WAKAI, Chair



MIKE GABBARD, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:* SB 3150	Committee Referral: AEN/EET, WAM	Date: 02/12/2020		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RUDERMAN, Russell E. (VC)	X			
RHOADS, Karl	X			
THIELEN, Laura H.				X
FEVELLA, Kurt			X	
TOTAL	3	0	1	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: _____				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:* SB 3150	Committee Referral: AEN/EET, WAM	Date: 2/12/2020		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
INOUYE, Lorraine R.	✓			
KEOHOKALOLE, Jarrett	✓			
FEVELLA, Kurt			✓	
TOTAL	4	0	1	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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