

STAND. COM. REP. NO. 3967

Honolulu, Hawaii

APR 08 2022

RE: H.B. No. 1809
H.D. 3
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1809, H.D. 3, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish the renewable fuels production tax credit.

Your Committee received written comments in support of this measure from Pacific Biodiesel Technologies, Hawaii Gas, Par Hawaii, Hawaii Clean Power Alliance, and Biotechnology Innovation Organization.

Your Committee received written comments in opposition to this measure from the Pet Food Institute and one individual.

Your Committee received written comments on this measure from the Department of Taxation, Department of Budget and Finance, Office of Information Practices, Hawaii State Energy Office, Civil Beat Law Center for the Public Interest, Tax Foundation of Hawaii, and one individual.

Your Committee finds that the State should incentivize the production of renewable fuels because production of those fuels provides local jobs, ensures affordable energy and transportation,



and provides greater energy security and economic benefits in the energy, agriculture, and other industries.

The United Nations Intergovernmental Panel on Climate Change (IPCC) has concluded that a century of rising emissions, caused primarily by fossil fuels, must end before 2025 to keep global heating under 1.5 degrees Celsius, beyond which severe impacts will increase further, hurting billions of people.

Hawaii is vulnerable to soaring prices and disruption of its energy imports. Hawaii imports fossil fuels originating from foreign countries for nearly ninety percent of its energy and almost one hundred percent of its transportation. The world's geopolitical conflicts threaten the reliable supply of those fossil fuels, causing prices to more than double in the last twelve months. Hawaiian Electric has predicted that the cost of electricity will rise by ten to twenty percent on the islands of Oahu, Maui, and Hawaii. In contrast, Kauai, which has strategically planned and aggressively implemented firm renewable-based energy and renewable fuels that displace imported fossil fuels, predicts that the price of electricity on the island will not increase. The State consists of thirty-three percent asset limited, income constrained, employed (ALICE) residents, and nine percent live below the poverty level. Electricity and transportation costs consume a large percentage of their income. It is critical for Hawaii to ensure affordable energy and transportation and greater energy security by becoming more self-sufficient in its fuel supply by incentivizing locally-based production of renewable fuels to displace imported fossil fuels.

Your Committee has amended this measure by replacing its contents with the contents of S.B. No. 2478, S.D. 2, a substantially similar measure, and further amending the measure by:

- (1) Providing that the annual dollar amount of the renewable fuels production tax credit shall be equal to twenty cents per seventy-six thousand British thermal units of renewable fuels using the lower heating value sold for distribution in Hawaii;
- (2) Providing that the amount of the tax credit claimed by a taxpayer shall not exceed any amount that the Department

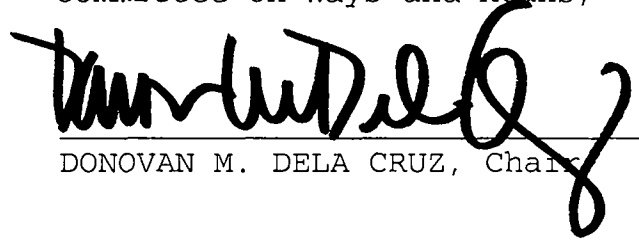


of Taxation may establish by rule adopted pursuant to Chapter 91, Hawaii Revised Statutes;

- (3) Providing that the total amount of tax credits allowed shall not exceed \$30,000,000 for all eligible taxpayers in any calendar year; and
- (4) Changing the effective date from July 1, 2050, to upon its approval, and applying the tax credit to taxable years beginning after December 31, 2022.

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 H.B. No. 1809, H.D. 3, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1809, H.D. 3, S.D. 2.

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



DONOVAN M. DELA CRUZ, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
HB1809, HD3, SD1	EET, WAM	4/8/22


The Committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: _____

The Recommendation is:

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

Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	XX			
KEITH-AGARAN, Gilbert S.C. (VC)	XX			
INOUYE, Lorraine R.				XX
KANUHA, Dru Mamo	XX			
KIDANI, Michelle N.	XX			
MISALUCHA, Bennette E.	XX			
MORIWAKI, Sharon Y.	XX			
SHIMABUKURO, Maile S.L.	XX			
TANIGUCHI, Brian T.	XX			
WAKAI, Glenn	XX			
FEVELLA, Kurt	XX			
TOTAL	10			1

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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*Only one measure per Record of Votes