HOUSE OF REPRESENTATIVES
TWENTY-FOURTH LEGISLATURE, 2008
STATE OF HAWAII

H.C.R. NO. 229

HOUSE CONCURRENT RESOLUTION

REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO EVALUATE THE ETHANOL FACILITY TAX CREDIT.

WHEREAS, the ethanol facility tax credit was initially enacted in 2000 as an income tax credit to encourage private sector investment in Hawaii-based ethanol production facilities; and

WHEREAS, in 2004, to encourage the construction of large-capacity ethanol production facilities, the ethanol investment tax credit was changed to a facility tax credit equal to an amount invested in the qualifying ethanol production facility during the credit period; provided that the production of ethanol was equal to at least seventy-five per cent of the nameplate capacity of the facility; and

WHEREAS, in 2007, the Legislature extended the tax credit by five years to January 1, 2017, and to encourage the production and use of biofuels in Hawaii, established biofuel processing facilities as a permissible use in agricultural districts and an energy feedstock program within the Department of Agriculture; and

WHEREAS, the ethanol facility tax credit has not been enough of an incentive to cause investment and construction of ethanol production facilities in Hawaii for the production of ethanol to meet the requirement that gasoline sold in Hawaii contain ten per cent ethanol by volume; and

WHEREAS, in Act 159, Session Laws of Hawaii 2007, the Legislature declared, "To shape Hawaii's energy future and achieve the goal of energy self-sufficiency for the State, efforts must continue on all fronts, integrating new and evolving technologies, seizing upon economic opportunities to become more energy efficient and economically diversified, and providing incentives and assistance to address barriers"; and

WHEREAS, the ethanol facility tax credit, as an incentive, should be reevaluated within the context of its effectiveness in Hawaii's energy goals, and re-shaped to be a more effective tool in helping to achieve the goal of energy self-sufficiency for the State; and

WHEREAS, the Strategic Industries Division of the Department of Business, Economic Development, and Tourism is qualified to evaluate the effectiveness of the ethanol facility tax credit and to determine what incentives should be implemented to attract private investment in the construction and operation of ethanol production facilities to meet the ten per cent ethanol in gasoline requirement; now, therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-fourth Legislature of the State of Hawaii, Regular Session of 2008, the Senate concurring, that the Department of Business, Economic Development, and Tourism is requested to evaluate the effectiveness of the ethanol facility tax credit and determine:

(1) Why the tax credit has not been effective in attracting investment in the construction and operation of ethanol production facilities in Hawaii;

(2) What amendments to the law are needed to attract private investors to establish ethanol production facilities in Hawaii; and

(3) What programs and changes should be made to meet the goal that gasoline sold in Hawaii contain ten per cent ethanol by volume; and

BE IT FURTHER RESOLVED that the Department is requested to submit a report of findings, recommendations, and any proposed legislation to the Legislature no later than twenty days prior to the convening of the Regular Session of 2009; and

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BE IT FURTHER RESOLVED that a certified copy of this Concurrent Resolution be transmitted to the Director of Business, Economic Development, and Tourism.

OFFERED BY: Kirk Caldwell

Marilyn B. Lee

MAR 11 2008