STAND. COM. REP. NO. 3154

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 2005
H.D. 1
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 2005, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY TECHNOLOGIES,"

begs leave to report as follows:

The purpose of this measure is to expand the renewable energy technologies tax credit to include solar electric energy systems.

Testimony in support of this measure was received from the Department of Business, Economic Development, and Tourism; the Hawaii Solar Energy Association; The Solar Alliance; Sopogy, Inc.; and SunEdison. The Department of Taxation and the Hawaii Renewable Energy Alliance testified in opposition. The Tax Foundation of Hawaii submitted comments.

The Department of Taxation stated the revenue impact as follows:

FY2009 (loss): $315,000
FY2010 (loss): $2,300,000
FY2011 (loss): $1,300,000
FY2012 and annually thereafter (loss): $2,300,000

In addition, the Department of Taxation noted that the change in solar qualifications would allow certain types of solar devices to qualify for the $500,000 credit where originally they would only qualify for the $250,000 solar thermal credit. It is estimated that at most, two of these (commercial) systems will be built per year.

The transferability of the credit is functionally equivalent to making the credit refundable. Average tax liabilities for different AGI brackets were estimated, and using the 2005 participation rates for the renewable energy credit, the amount of "carry-over" credit was estimated. From this, it was assumed that all of the carry-over credit would become sold/repurchased, and thus be applied to someone else's tax liability and result in revenue loss.

The impact due to future commercial projects was calculated from a list of planned and proposed projects, with estimated or known completion dates. It was assumed that these projects would be eligible for the maximum credit of $500,000. It is also assumed that these projects will have little to no tax liability (as any income will most likely be offset by depreciation), thus the transferability of the credit will result in a cost equal to the full eligible credit amount. Thus the revenue loss from commercial properties in a year is equal to $500,000 multiplied by the number of new facilities built.

Your Committee heard a number of concerns raised about this measure, and would like to thank the parties for their collaborative efforts to resolve these issues. Your Committee has amended this measure to reflect the changes proposed by the Department of Taxation and the industry. Recognizing this as a "work in progress", your Committee urges the parties to continue their efforts to refine this measure as it moves through the legislative process.

As amended, this measure:

(1) Clarifies that the renewable energy technologies tax credit may be refundable or non-refundable for solar energy systems, and is non-refundable unless stated otherwise;

(2) Deletes the provisions of existing law related to the apportionment of the tax credit and the distribution and share of credit;

(3) Restructures the solar energy thermal systems portion of the tax credit to reflect the non-refundable and refundable credits for solar energy systems;

(4) Restructures the wind-energy portion of the tax credit to accommodate the amendments to solar energy systems;

(5) Adds a definition of "household use";

(6) Deletes the specific tax credit language for photovoltaic energy systems;

(7) Amends the definition of "renewable energy technology system", and replaces references to heat, light, and photovoltaic throughout the section with reference to energy from the sun; and

(8) Makes nonsubstantive, technical amendments for the purpose of the preferred drafting style.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2005, H.D. 1, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 2005, H.D. 1, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Economic Development and Taxation,

Carol Fukunaga

CAROL FUKUNAGA, Chair

The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:
HB 2005 HD1 SD1	ENE, EDT, WAM	3/19/08

☐ 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
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.	✓			
ENGLISH, J. Kalani	✓			
IGE, David Y.				✓
SLOM, Sam				✓
TOTAL	4			2

Recommendation: ☑ Adopted ☐ Not Adopted

Chair's or Designee's Signature: Will Espero

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*Only one measure per Record of Votes

Revised: 10/22/07