

SB 1202

LATE

Department of Taxation

Position Summary

Senate Committee on Ways & Means/March 3, 2009

Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
SB 464 SD 1	TAX ADMINISTRATION	Support intent; strong concerns.	<p>*The Department supports the general concept of encouraging alternative energy technologies.</p> <p>*The Department has strong concerns with decoupling from the Internal Revenue Code Sections 469 and 704(b) as generally bad tax policy.</p> <p>*The Department supports the measure to the extent it is budgeted, which includes only the refundability for those with retirement income.</p>	Revenue loss of \$39.2 million annually.	<p>Solar energy tax credit amounted to \$4.1 million in 2008. It is assumed that making this tax credit refundable for certain taxpayers will increase this amount by 5% or \$0.2 million. Also, it is assumed 4,000 new single-family residential units will be built between now and 2010. The law requires these units to be built with solar energy. At the maximum \$2,250 tax credit per unit, the revenue loss will be about \$9 million.</p> <p>In addition, the deduction in "activity losses" in Section 469 could amount to \$500 million (our assumption due to lack of hard data) and reduce income tax revenues by \$30 million. ($\\$500 * 6\% = \\$30$).</p>
SB 698 SD 1	THE RENTAL MOTOR VEHICLE SURCHARGE TAX	Support	No technical comments.	Indeterminate	Indeterminate due to blank amounts.

SB 1202 SD 1

TRANSPORTATION
ENERGY
INITIATIVES

Support intent

The Department prefers the tax incentives contained in SB 872, which includes a general excise tax exemption for the sale or lease of alternative fuel vehicles, an income tax credit for facilities using biofuels, a rental motor vehicle surcharge tax exemption for alternative fuel vehicles, an income tax credit for electric vehicle charging infrastructure acquisition and installation, and an income tax credit for alternative fuel vehicle refueling infrastructure acquisition and installation. The Administration's measure has been factored into the biennium budget and the financial plan. This bill provides aggregate caps on the credits that are not administratively workable as written.

DBEDT estimates the impact of the transportation related energy measures at about:
*\$1.1 million in FY10,
*\$2.6 million in FY11,
*\$4.4 million in FY12,
*\$7.7 million in FY13,
*\$7.9 million in FY14, and
*\$8.1 million in FY15. The Department concurs with DBEDT estimates but add the potential revenue loss of biofuel facility tax credit, which could be up to \$12 million per year starting in FY12.

The Department concurs with DBEDT estimates but add the potential revenue loss of biofuel facility tax credit, which could be up to \$12 million per year starting in FY12. That is the maximum allowable credit by the law and since according to DBEDT it will take about two years for the biofuel production facilities to become operational and start production, the tax credit could start in FY12.



Sierra Club Hawai'i Chapter

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LATE

SENATE COMMITTEE ON WAYS AND MEANS

March 3, 2009, 9:30 A.M.

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 1202, SD1

Aloha Chair Kim and members of the Committees:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports SB 1202, encouraging the development of electric and alternative fuel cars in Hawai'i.

New Zealand -- a comparable location to Hawai'i -- currently produces over 60% of their electrical power needs from renewable sources. The key element to this "greenness" is storage capacity. Successful electrical grids must be able to tap a source of energy when wind and solar power wanes.

Electric vehicles, which are idle an average of 22 hours a day, are an ideal storage option. For example, the eBox (a 100% electric conversion of a Toyota Scion xB) can drive 140-180 miles or power twenty average homes for one hour.¹ Vehicle-to-grid technology allows car owners to use the power stored in the batteries to reduce their power consumption, store solar-generated power for clean driving, or back up the power grid.

Electrical cars have other benefits. They are silent, create no air pollution, and need little maintenance. No tune ups, oil changes, or radiator repairs are necessary (these items don't exist on an electrical car). Most importantly, they reduce Hawai'i's fossil fuel consumption, which is currently the most dependent state on oil in the nation.

Moreover, the limited geography of Hawai'i makes it an ideal location for electric vehicles. Most commutes are well within an electric vehicles capacity, thus

¹ "How Near are Vehicle-to-Grid Electric Cars?" by Leonard J. Beck, available at <http://evworld.com/article.cfm?storyid=1633>

eliminating the need for a gas powered engine (as is included in a hybrid vehicle), reducing Hawaii's fossil-fuel consumption.

Other places have adopted similar measures as proposed in SB 1202. Last November, Oregon became the first state to develop standards for a statewide infrastructure of electric-car plug-in stations in terms of performance, safety, and voltage. If Hawai'i does not act now, it is possible it will lose the investors who want to develop Hawai'i as a pilot project to demonstrate the feasibility of this technology to the rest of the world.

Thank you for the opportunity to testify.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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LATE

Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, March 3, 2009
9:30 AM
State Capitol, Conference Room 211

in consideration of
SB 1202 SD1
RELATING TO TRANSPORTATION ENERGY INITIATIVES.

Chair Kim, Vice Chair Tsutsui, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 1202, SD1, which is intended to begin the transformation of Hawaii's ground transportation sector to be less dependent on petroleum, but we prefer the comprehensive approach provided in the Administration bill, SB 872. We defer to the Departments of Taxation and Budget and Finance on the "transportation energy efficiency and infrastructure fund" referenced in Section 4 of the bill and to the Department of Transportation with respect to Section 9 of this bill.

We strongly support sections 2 and 3 of the bill; these changes are consistent with the best energy, economic, and environmental outcomes for the people of Hawaii. We support these sections as written.

Section 4 of the bill sets forth incentives for the establishment of electric vehicle charging and alternative fuel refueling infrastructure. Although we support the intent, we are concerned about the potential cost and the implementation of the section as written; we recommend that this section be replaced with the language contained in Sections 3 and 4 of SB 872.

Although there are two references¹ in this section to a "transportation energy efficiency and infrastructure fund," we are not aware of the existence of the location or creation of such a fund.

The tax credits for electric vehicle charge points proposed in this bill are up to 70% of the installed cost of each charge point, or up to \$1000 per charge point, whichever is less. This dollar cap per charge point is greater than the amount proposed in SB 872, and we recommend that the amount be reduced to \$500, to keep the projected cost of the proposal below \$700,000 for the biennium.² If either the vehicles or the market for the vehicles fail to materialize, the state will NOT have incurred any expense. If the vehicles and the market do materialize, these incentives will contribute greatly to the development of Hawaii's transportation energy diversification and to Hawaii's energy security.

The tax credits for the alternative fuel refueling sites are also higher than in SB 872, and we recommend that they be reduced to \$10,000 each, which will keep the projected cost below \$100,000. We estimate a total of nine E85, B20, and electric vehicle refueling stations may be installed over the biennium. The definitions in this section are consistent with the Federal definitions. This will invite investment in our infrastructure from out of state, and provide local employment for the installation of these new technologies.

¹ Page 10, lines 1 and 2; page 11, lines 19 and 20.

² This estimate is based on 2.5 charge spots for each of the approximately 500 electric vehicles by 6/30/2011.

Providing incentives encourages the pioneers in this area to make the investments, take the risks, and provide the initial market pull that will attract this industry to Hawaii.

Establishment of re-fueling and recharging sites is essential to support the early adoption of these vehicles and to allow contractors, electricians, and installers to become familiar with these new technologies. This is a relatively small but extremely important step to begin the transition of Hawaii's vehicles from completely dependent on petroleum towards being able to rely on other, non-petroleum fuels.

With our recommended changes, we support Section 4.

Section 5 designates space for the unique needs and attributes of electric vehicles. The designation of parking spaces for electric vehicles, and eventually the connection of vehicles to the grid at these points, are important for the establishment of an electric vehicle network and for grid management.

However, we have concerns with the language on page 12, lines 13 and 14, which includes a charging requirement at the same time as the establishment of parking. Parking spaces should be established in 2010, without a charging requirement at that time. We recommend that the language in Section 5 of SB 1202, SD1, be replaced with Sections 5, 6, and 7 of SB 872.

With those changes, we support this section.

Section 6 makes it clear that an installer of electric vehicle charging equipment is not an electric utility. We support Section 6.

Section 7 sets forth clear instructions for government agencies to lead by example by selecting vehicles that have great promise for Hawaii, and those that have greater barriers to market development. Given budgetary concerns, we note that this section contains a provision that agencies may apply for exemptions to the extent that vehicles are not available, and allows

life cycle costs to be included in the determination of whether the vehicles meet the needs of the agencies. We support Section 7.

Section 8 allows vehicle information to be provided to DBEDT for use in tracking the numbers and types of vehicles in use. This is an important step in determining the baseline as well as measuring progress. We support Section 8.

Section 9 requires the Department of Transportation, in consultation with DAGS and DBEDT, to coordinate with county governments, energy industry experts, transportation specialists, and business, labor and community leaders to develop and implement a plan to expedite state and county permitting and installation of battery exchange stations and electric vehicle charging ... and to provide a report to the Legislature. We defer to the Department of Transportation on the availability of resources to meet this requirement.

Overall, this bill contains some important initiatives to begin the transition of our vehicles to a more diverse set of energy sources. We encourage the Committee to support these initiatives, with amendments, as well as the additional initiatives in SB 872.

Thank you for the opportunity to offer these comments.

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March 3, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

COMMITTEE ON WAYS & MEANS

SENATE BILL NO. 1202, S.D. 1
RELATING TO TRANSPORTATION ENERGY INITIATIVES.

We **support** the intent of this bill, which is to reduce the transportation sector's dependence on petroleum-based fuels. This bill addresses many of the same concerns as Senate Bill No. 872, which is the Administration's Transportation Energy Initiative. Accordingly, the Department of Transportation (DOT) respectfully requests that this bill (Senate Bill No. 1202, SD 1) be held in committee and that the Administration's Initiative, Senate Bill No. 872, be considered for passage in its place.

Senate Bill No. 1202, SD 1 seeks to develop a transportation infrastructure for electric vehicles by requiring an aggressive timetable to replace fossil fuel vehicles with electric and alternative fuel vehicles.

While the DOT supports the intent of this bill, we present the following concerns for your consideration:

1. The DOT is willing to consider plug-in locations at our airport and harbor parking facilities. However, several concerns are raised.

The DOT is willing to allow private sector service providers to install plug-in locations at airport and harbor parking facilities, provided that these plug-in locations do not compromise security or the operations of the facility.

In addition, the DOT would prefer to not allocate separate and independent locations for the various providers. To this end, the DOT will work with any qualified private service provider who can install universal plug-in locations that can be utilized by other interested service providers as well. Therefore, each provider must be able to implement

a system that enables their individual customers to be identified as such and allows for the accounting of their own electrical charges and their own customer billing.

Furthermore, because the provider will benefit by the revenues generated from the use of the plug-in stations, the provider should be responsible for the cost of installing, operating, and maintaining these plug-in stations.

2. The permitting and installation of battery exchange stations and electric vehicle charging outlets in homes, businesses, public parking lots, and other buildings and facilities throughout the State are actions far outside the purview, authority, and resources of the DOT. Therefore, this task of developing and implementing the plan required by Section 9 of Senate Bill No. 1202, SD 1 must be assigned to a more appropriate agency. If the Committee is intent on designating the DOT as the lead agency for this task, we request that the task be limited to a plan to expedite permitting and installation of battery exchange stations and electric vehicle charging outlets within DOT's airport and harbor facilities.

Thank you for the opportunity to testify on this very important measure.