JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
SENATE COMMITTEE ON WAYS AND MEANS

Thursday, April 3, 2025
10:00 AM
State Capitol, Conference Room 211 and Videoconference

Providing Comments on
HB 1369, HD1

RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee, the Hawaiʻi State Energy Office (HSEO) respectfully offers comments on HB 1369, HD1, which repeals certain tax credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws. Specifically, HSEO has concerns about the abrupt repeal of HRS §235-110.32, Renewable Fuels Production Tax Credit (RFPTC), Section 14, pages 45-56. HSEO greatly appreciates the House Committee on Finance's amendments to the measure, which removed provisions that repealed the Renewable Energy Technologies Tax Credit. However, HSEO remains concerned that amendments proposed may impact renewable fuels producers in the state, coupled with uncertainty around Federal support and economy-wide inflation concerns, the abrupt repeal of this tax credit adds to uncertainty. Accordingly, HSEO requests that the blanket repeal be removed.

Developers of renewable fuel projects plan and finance their projects based on cost analyses that assume receipt of the established tax credit when their projects are completed and begin producing fuel. While the last certificate for the RFPTC was issued in 2023 for the calendar year of 2022, renewable fuel production projects have long development timelines, with some projects actively in development. These projects have made substantial financial investments based on the expectation that the tax credit would continue. Abruptly repealing the credit, without an adequate period of adjustment, directly impacts the financial viability of these projects and jeopardizes the developers' finances, potentially resulting in financial distress and/or project withdrawal. Accordingly, if repealed, pushing back the effective date of the repeal and adding grandfathering language is necessary to allow for these projects to move forward.

Pursuant to 2024 House Resolution 193, HD2 (**HR193, HD2 2024**) and Senate Resolution 82, SD1 (**SR82, SD1 2024**), HSEO is convening a renewable liquid fuels working group to evaluate local production, development, and incentives with stakeholders and renewable fuel producers to identify policy support options available for renewable fuels. The group consensus has been that tax incentives have proven to be an effective mechanism to achieve the goals of the state. Abruptly and completely repealing any tax credit would disrupt the businesses affected and the livelihoods of those employed by them.

Hawaiʻi's energy and decarbonization goals, which include the production of 100% renewable electricity by 2045[1] or sooner,[2] zero-emission transportation,[3] and the reduction of greenhouse gas emissions to achieve the state's net negative clean economy target "as quickly as practicable but no later than 2045,"[4] require a continuing rapid pace and the involvement of all renewable energy technologies and renewable fuel production projects.

HSEO is committed to the development of effective solutions for renewable liquid fuels that serve Hawaiʻi's economic, environmental, and community needs. HSEO is open to working with the Committee and continuing to work with fuel producers and other stakeholders to improve the tax credit in the future by making it more equitable and better aligned with Hawaiʻi's long-term clean energy goals.

If the Legislature proceeds with the blanket repeal of the RFPTC, HSEO recommends reviewing potential projects and businesses with projects actively in

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[1] Hawaii Revised Statutes, §269-92 Renewable portfolio standards.
[2] Executive Order Number 25-01, Accelerating Hawaiʻi's Transition Toward 100 Percent Renewable Energy.
[3] Hawaii Revised Statutes, §225P-8 Zero emissions transportation.
[4] Hawaii Revised Statutes, §225P-5 Zero emissions clean economy target.

development that could be impacted by the blanket repeal. HSEO further suggests the effective date of the repeal be pushed back and grandfathering language considered.

Thank you for the opportunity to testify.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

KA ʻOIHANA HOʻOMOHALA PĀʻOIHANA, ʻIMI WAIWAI A HOʻOMĀKAʻIKAʻI

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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Thursday, April 3, 2025
10:00 AM
State Capitol, Conference Room 211

In consideration of
HB1369 HD1
RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on **HB1369 HD1** which proposes to repeal certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

Enterprise Zones Program (refer to pages 42 and 43)

The bill seeks to repeal Section 209E-11, Hawaiʻi Revised Statutes (HRS), which provides a general excise tax exemption for companies that are enrolled in and meet the annual requirements of the Enterprise Zones program.

The Hawaiʻi Enterprise Zones Program (EZ) is a state-county partnership designed to stimulate certain types of business activity and increase employment in targeted areas of Hawaiʻi. The EZ Program is a significant economic development tool bringing business and employment opportunities to the residents of economically challenged areas of the state. This cost-effective program has been active for over 30 years and has successfully created jobs and stimulated specific business activities, such as manufacturing and agricultural production, in urban and especially rural areas of Hawaiʻi. In most recent years, companies in the Enterprise Zones reported creating or maintaining over a thousand jobs, with the cost to the state amounting to usually less than a thousand dollars per job in forgone general excise taxes.

The general tax exemption for companies in the Enterprise Zones program serves as the primary incentive, without which the program would lose its effectiveness. DBEDT respectfully requests that Section 209E-11, HRS not be repealed.

GET exemption for shipbuilding and ship repair businesses (refer to page 65)

The bill also seeks to repeal Section 237-28.1, HRS, which eliminates the GET exemption for shipbuilding and ship repair businesses, raising concerns not only for the maritime industrial base, but also for the state's broader economic strategy.

The shipyard is a vital component of Hawaii's industrial ecosystem, serving as a foundation for the advanced manufacturing sector. Tax incentives help offset initial costs to establish and strengthen emerging industries, mitigate competitive disadvantages, and ensure the sustainability of sectors like shipbuilding and ship repair in Hawaiʻi. This industry is essential to the state's economy, defense, and logistical resilience. Eliminating this exemption could have unintended consequences, such as shifting both commercial and military ship repair work to mainland or foreign ports, ultimately weakening Hawaii's industrial capacity and workforce development.

Given the strategic importance of the shipyard in supporting Hawaii's economic resilience and national security interests, DBEDT respectfully requests that HRS 237-28.1 not be repealed.

The Department of Business, Economic Development and Tourism (DBEDT) commends the Legislature for undertaking a comprehensive review of the State's tax incentive programs through HB1369 HD1. Assessing whether existing credits, deductions, and exemptions have achieved their intended economic outcomes is a responsible and necessary step toward ensuring tax policy effectiveness and fiscal sustainability.

As DBEDT continues its work to diversify Hawaiʻi's economy, we are focused on catalyzing investment in industries that can generate quality jobs and strengthen our small and medium-sized businesses. These include advanced manufacturing, value-added product development, fashion and design, aerospace infrastructure and facilities, geothermal infrastructure, and agricultural infrastructure for farms and livestock. These sectors are priority focus areas outlined in DBEDT's Economic Landscape Framework and represent critical opportunities for long-term economic resilience and innovation.

To support this mission, DBEDT respectfully requests that the Committee consider amending HB1369 HD1 to include a provision directing the Research and Economic

Analysis Division (READ) of DBEDT to conduct an economic impact analysis on tax incentives that support the development of facilities, equipment, and other capital improvements aligned with the industries listed above.

Such an analysis will help inform the Legislature and stakeholders on how tax incentives contribute to building infrastructure capacity, enabling private investment, and fostering resilient industry clusters in Hawaiʻi.

Thank you for the opportunity to provide comments and for your continued support of strategic economic development initiatives.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor

SHARON HURD
Chairperson, Board of Agriculture

DEAN M. MATSUKAWA
Deputy to the Chairperson

State of Hawaiʻi
DEPARTMENT OF AGRICULTURE
KA ʻOIHANA MAHIʻAI
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TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

THURSDAY, APRIL 3, 2025
10:00 AM
CONFERENCE ROOM 211

HOUSE BILL NO. 1369, HOUSE DRAFT 1
RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

Thank you for the opportunity to provide testimony on House Bill No. 1369, House Draft 1 that repeals certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws. The Department of Agriculture (Department) offers comments.

The Department respectfully requests that the Committee retain every advantage, however small, that is provided to Hawaii agricultural operators in the form of existing credits, deductions, and exemptions. If at all possible, we would recommend these benefits be enhanced and expanded to support commercial agricultural producers to move the State closer towards agriculture self-sufficiency and food security.

Section-by-section comments and recommendations:

Section 2 (page 8 line 19 to page 9, line 2)
Amending Section 235-110.93 (Important Agricultural Land Qualified Agricultural Cost Tax Credit)
"In the case of a partnership, S corporation, estate, trust, or other pass through entity, distribution and share of the credit shall be determined [~~pursuant to section 235-110.7(a).~~] by rule."

DOA comment: No impact. This amendment harmonizes Section 235-110.93 with Section 235-110.7(a) that requires the tax credit to be shared will be determined by rule. This is the most important incentive for qualified agricultural producers on and owners of

Important Agricultural Lands to keep the agricultural lands in production and increase Hawaii's food self-sufficiency and exports.

Section 3 (page 10, line 1 to page 13, line 19)
Amending Section 237-16.5 (tax on written real property leases) by repealing the General Excise Tax (GET) sublease deduction.

DOA comment: There may be impact on the Department's agricultural park (Chapter 166) and non-agricultural park (Chapter 166E) farmer lessees with respect to credits and/or deductions they may be using. The impact on Department lessees would be a reduction in income but the amount(s) is unknown.

Section 5 (page 18, line 6 to page 19, line 5)
Amending Section 237-24(14) (amounts not taxable) by repealing the exemption from income tax for independent sugarcane farmers.

DOA comment: The Department respectfully opposes the repeal of this exemption from income tax for independent sugarcane growers. We are aware of several producers of distilled spirits that are growing a sizeable acreage in sugarcane and plan to significantly increase the acreage planted and harvested. These companies are looking into this exemption for their operations.

Section 6 (page 20, line 20 to page 21, line 7)
Amending Section 237-24.3(1) (additional amounts not taxable) by repealing this exemption from income tax for loading, transportation, and unloading of agricultural commodities for a producer or produce dealer on one island of this State to the similar on another island. "Agricultural commodities", specifically fresh fruits and fresh vegetables (fresh, frozen or packed in ice), whether produced in the State or imported, nuts, and coffee, whether cherry or parchment, or green beans, which have been produced in the State, and raw unprocessed honey, whether produced in the State or imported.

DOA comment: The Department respectfully opposes the repeal of this exemption as it would increase agricultural producers' costs, particularly those on the neighbor islands, and in combination with recent increases in interisland shipping rates, will further adversely affect agricultural producers' ability to sell their products to off-island markets and to remain profitable.

Section 12 (page 40, line 5 to page 41, line 4)
Repeals Section 209E-11 (State general excise exemptions for qualified businesses within State enterprise zones).

DOA comment: The Department has strong concerns that the repeal of this section will adversely affect those businesses established within State enterprise zones for up to 10 years and who process a variety of agricultural products, all or some of which were grown within an enterprise zone. We recommend reconsideration of this repeal in light of the legislative initiatives to process Hawaii-grown agricultural products into added value commodities throughout the State.

Section 13 (page 41, line 5 to page 45, line 16)
Repeals the capital goods excise tax credit in for the income tax under Section 235-110.7.

DOA comment: This proposed repeal may impact agricultural producers that qualify for this tax credit for their purchases of machinery and equipment for their agricultural operations. Although agricultural operators may not purchase large amounts of equipment and machinery, this tax credit helps to reduce their costs of doing business.

Section 14 (page 45, line 19 to page 56, line 10)
Repeals Section 235-110.32 (Renewable fuels production tax credit)

DOA comment: This is not a tax credit for agricultural producers growing and selling renewable feedstocks such as biomass crops, oil crops, sugar and starch crops, other agricultural crops. There is no impact on agricultural operators.

Thank you for the opportunity to provide our testimony on this important measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 1369, H.D.1, Relating to Taxation.

BEFORE THE:
Senate Committee on Ways and Means

DATE:	Thursday, April 3, 2025
TIME:	10:00 a.m.
LOCATION:	State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments on H.B. 1369, H.D.1, for your consideration.

Section 1 of H.B. 1369, H.D.1, amends section 235-2.3, Hawaii Revised Statutes (HRS), to repeal income tax conformity to sections 47 and 48 of the Internal Revenue Code (IRC) (with respect to certain depreciable tangible personal property). These IRC provisions are currently used for the capital goods excise tax credit, which is repealed by sections 13 and 21 of this bill, on pages 41 and 65, respectively.

Section 2 of the measure amends section 235-110.93(d), HRS, to require distribution of the important agricultural land qualified agricultural cost tax credit for partnerships, S-corporations, estates, trusts, or other pass-through entities to be determined by rule, rather than pursuant to section 235-110.7, HRS. This is made necessary by the repeal of the capital goods excise tax credit in sections 13 and 21.

Section 3 of the measure amends section 237-16.5(a), HRS, to repeal the general excise tax (GET) sublease deduction.

Section 4 of the measure makes a conforming amendment to section 237-22, HRS, due to amendments made to section 238-3, HRS.

Section 5 of the measure amends section 237-24, HRS, to repeal the GET exemption for amounts received by independent sugarcane producers.

Section 6 of the measure amends section 237-24.3, HRS, to repeal the GET exemption for amounts from the inter-island loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer. Section 6 also repeals the GET exemption in section 237-24.3, HRS, for amounts received as rent for the rental or leasing of aircraft or aircraft engines for interstate air transportation of passengers and goods.

Section 7 amends section 237-25(a), HRS, to repeal the GET exemption for amounts received from sales of “other tangible personal property” sold to the United States (including any agency, instrumentality, or federal credit union) and to any state-chartered credit union.

Section 8 makes a conforming amendment to section 237-29.5, HRS, due to amendments made to section 237-24.3, HRS.

Section 9 amends the definition of “use” under section 238-1, HRS, to repeal the use tax exemptions for:

(1) The leasing or renting of aircraft or the keeping of aircraft solely for leasing or renting to renters using the aircraft for commercial transportation of passengers and goods or the acquisition or importation of any such aircraft or engine by a lessee or renter engaged in interstate air transportation; and

(2) The use of materials, parts, or tools imported or purchased for aircraft service and maintenance, or the construction of an aircraft service and maintenance facility.

Section 10 amends section 238-3, HRS, to repeal the use tax exemptions for:

(1) The use of large fishing vessels constructed under section 189-25, HRS, prior to July 1, 1969; and

(2) Any use of an air pollution control facility exempted by section 237-27.5.

Section 11 makes a conforming amendment to 421H-4, HRS, due to amendments made to section 237-24, HRS.

Section 12 repeals the GET exemption in section 209E-11, HRS, for qualified business conducted in an enterprise zone.

Sections 13 and 21 repeal the capital goods excise tax credit for the income tax under section 235-110.7, HRS and the franchise tax under section 241-4.5, HRS.

Section 14 repeals the renewable fuels production tax credit in section 235-110.32, HRS.

Section 15 repeals the GET exemption under section 237-16.8, HRS, for fees from convention, conference, or trade show exhibit or display spaces if those fees constitute income derived by a "fraternal benefit, religious, charitable, scientific, educational, or other nonprofit organization under section 501(c) of the Internal Revenue Code."

Section 16 repeals the GET exemptions in section 237-24.5, HRS, for exchanges and boards of trade subject to regulation by the Securities and Exchange Commission or the Commodities Futures Trading Commission or an organization subject to similar regulation under the laws of a jurisdiction outside the United States.

Section 17 repeals the GET exemption for amounts received from the servicing and maintenance of aircraft or from the construction of an aircraft service and maintenance facility in the State under section 237-24.9, HRS.

Section 18 repeals the GET exemptions in section 237-27, HRS, for petroleum refiners.

Section 19 repeals the GET exemptions in section 237-27.5, HRS, for air pollution control facilities.

Section 20 repeals the GET exemptions in section 237-38.1, HRS, for certain shipbuilding and other ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade.

H.B. 1369, H.D. 1, has a defective effective date of July 1, 3000.

DOTAX requests that sections of this measure affecting the income tax and franchise tax (i.e., sections 1, 2, 13, 14, and 21) apply to "taxable years beginning after December 31, 2026 to allow DOTAX time to make the necessary form, instruction, and system changes." DOTAX further requests that sections of this measure affecting the general excise and use tax (i.e., sections 3 through 12 and 15 through 20) take effect on January 1, 2026.

DOTAX estimates this measure will result in a revenue gain as follows:

General Fund Impact ($ millions)

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
GET Exemptions Repeal	33.8	86.6	86.5	87.3	88.2	89.8
Tax Credits Repeal	0.0	35.1	35.9	36.6	37.5	38.3
TOTAL	**33.8**	**121.7**	**122.4**	**123.9**	**125.7**	**128.1**

Thank you for the opportunity to provide comments on this measure.

HAWAII FOOD INDUSTRY ASSOCIATION
1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiifood.com

TO: Committe on Ways and Means
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: April 3, 2025
TIME: 10am
RE: HB1369 HD1 Relating to Taxation
Position: Comments

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is opposed to this measure, we have concerns about the potential for negative consequences that could come from repealing some of the tax credits being eliminated in this measure.

Specifically, this measure eliminates both the Capital Goods Excise Tax Credit, and a tax credit for interisland shipping of agricultural commodities. As we all know doing business in Hawaii presents a range of unique challenges. Our geographic isolation, the high costs of labor, energy, and real estate, and the high tax burden of the state all increase the cost of doing business. Tax credits like these are an important way to help mitigate some of the additional expenses that Hawaii businesses contend with. When they are eliminated the cost of doing business goes up. In the case of businesses that produce, distribute or sell food, if the cost of doing business goes up the price of food can also be impacted. We do not believe that making it harder for local businesses to survive or increasing food prices, is in the best interest of our state. We urge the Committee to explore other potential options to accomplish the goals of this measure.

Thank you for the opportunity to testify.

HAWAI'I GAS
THE CLEAN ENERGY COMPANY

Testimony to The Committee on Ways and Means
Thursday April 3, 2025
10:00 AM
Conference Room 211 & VIA videoconference
Hawaii State Capitol
HB 1369 HD1

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

Hawaii Gas appreciates the opportunity to submit testimony in **strong opposition** to the repeal of Section 18 **HRS §237-27** - **Exemption of certain petroleum refiners.** The proposed repeal would have significant negative economic and operational consequences for consumers, businesses and energy providers across the state.

Negative Economic Impact on Energy Costs

The repeal of §237-27 would increase the cost of refining petroleum products. Proposed repeal would be a pass-through cost to the consumer, ultimately leading to higher energy costs for Hawaii residents and businesses. Currently, given our state's reliance on imported fuel sources, any additional taxation would exacerbate existing cost pressures. Hawaii already faces some of the highest energy costs in the nation, and the elimination of this exemption would further strain household budgets and business operations, hitting the economically disadvantaged the hardest.

Impact on Renewable Energy Transition

Hawaii Gas is committed to supporting the state's ambitious clean energy goals, including the transition to renewable energy sources. However, repealing **HRS §237-27Section 18 of HB 1369** HD1 would take a heavy toll on consumers who rely on these fuels for reliability and resilience. A well-balanced policy framework that supports both near-term energy stability and long-term sustainability is crucial to achieving a successful and economically viable transition.

Conclusion

The exemption provided by §237-27 has played an important role in maintaining affordable and reliable energy for Hawaii's residents and businesses. Its repeal would impose financial hardships on our citizens, create supply uncertainties, and potentially slow progress toward our renewable energy future. For these reasons, Hawaii Gas strongly urges the committee to **oppose the repeal of §237-27** and we request that you amend this measure by striking Section 18 to maintain policies that support a stable and affordable energy landscape for our state.

Thank you for the opportunity to testify.

HAWAI'I GAS
THE CLEAN ENERGY COMPANY

TESTIMONY IN OPPOSITION TO HB 1369 HD1
RELATING TO TAXATION

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Thursday, April 3, 2025 at 10:00 AM
Conference Room 211 & Videoconference
415 South Beretania Street

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Hawaii Military Affairs Council ("MAC") **opposes the repeal of Section 20** of HB 1369 HD1, which provides for an exemption for certain shipbuilding and ship repair business.

The MAC was established in 1985 when the Chamber was appointed by the State to serve as the liaison to the military. The MAC advocates on behalf of Hawaii's military, and is comprised of business leaders, academic institutions, State and County officials, members of the CODEL, community leaders, labor unions and organizations and retired U.S. flag and general officers. The MAC works to support Hawaii's location as a strategic U.S. headquarters in the Indo-Asia-Pacific region which is crucial for U.S. national and homeland security.

Pearl Harbor Naval Shipyard (PHNSY) is the largest industrial employer in the State of Hawaii with more than 6,500 Hawaii civilian employees. We advocate for PHNSY's ability to ensure that the fleet is fit to fight tonight, keeping maritime lanes open in and about the South China Sea against China, our near peer adversary in this most consequential region. This collective capability is critical to our nation's ability to ensure a free and open Indo-Pacific region.

Repealing Section 20 would reduce "man-day" rate for PHNSY resulting in a potential decrease in the amount of work accomplished or increase in the cost for the same work. Ultimately, surface ship repair in Hawaii will adversely impact the Pacific Fleet.

Thank you for the opportunity to offer testimony in opposition to repealing Section 20.

Testimony of Matson Navigation Company, Inc.
Opposition to HB1369, HD1
Before the Committee on Ways and Means
April 3, 2025

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Matson Navigation Company, Inc. (“Matson”) respectfully opposes HB1369, HD1, Relating to Taxation. This measure, among other things, imposes general excise taxes on certain capital goods by repealing section 235-110.7, Hawaii Revised Statutes (“HRS”), and section 241.4.5, HRS. Currently, these items are exempted from the income tax.

Suspending these tax credits will result in higher costs for end consumers of all goods imported into the State. As an island state, Hawaii is very dependent upon commercial maritime shipping. It is estimated that over 90 percent of our imported goods pass through Hawaii's harbors, including consumer goods, motor vehicles, construction materials, and fuel. Repealing sections 235-110,7, HRS, and 241-4.5, HRS will hit every resident of our State and further increase the cost of living.

If your Committee chooses to pass this measure, we respectfully request that you amend it to restore the tax credits contained in section 13 (page 41, line 5 to page 45, line 16) and section 21 (page 65, line 20 to page 66, line 5).

Thank you for allowing us the opportunity to provide testimony.

HFUU
Hawai'i Farmers Union United
Kaua'i · O'ahu · Moloka'i · Maui · Hawai'i

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Senate Ways and Means Committee,

The Hawai'i Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFU provides comments on HB1369.**

HB1369 HD1 proposes repeals and revisions to multiple tax credits and exemptions, several of which directly impact Hawaii's agricultural producers and food system infrastructure. While we support greater fiscal transparency and accountability, repealing tax provisions that lack current performance evaluations—especially those supporting local food production, farm infrastructure, and rural economic activity—risks undermining Hawaii's food security and climate resilience goals.

We highlight the following concerns:

- **Increased logistical and transportation costs:** Repealing the inter-island GET exemption would apply new taxes to agricultural shipping, raising costs and threatening market access for small and neighbor island farmers.
- **Weakened support for rural food system infrastructure:** Eliminating enterprise zone exemptions may hinder the growth of food hubs, value-added processors, and other local food manufacturers operating in underserved areas.
- **Reduced incentives for on-farm investment:** Repealing the capital goods excise tax credit (§235-110.7) could disincentivize farm infrastructure upgrades, making it more difficult for producers to modernize and remain competitive.
- **Greater economic strain on local producers:** Removing key tax benefits would increase operating costs for farmers and producers, potentially raising local food prices and reducing consumer access.

The justification for these repeals, as noted by Finance Chair and bill introducer Rep. Yamashita, draws on the State Auditor's *Report No. 23-14*. However, in most cases, the Auditor cites a lack of data—not a finding of ineffectiveness—and in some instances (such as §235-110.7), the provision has not yet been reviewed and is not scheduled for evaluation until 2027.

We respectfully request the Committee adopt the following amendments:

1. Retain GET Exemption for Inter-Island Agricultural Shipping (§237-24.3(1))

Concern:
The repeal of this exemption would impose a 4% GET on services related to transporting agricultural commodities between islands. Combined with already rising inter-island shipping rates, this would significantly raise the cost of distribution for small and neighbor island farmers, undermining local food access and economic

viability.

Auditor Reference:
Report No. 23-14, pp. 15–20 states that the exemption's effectiveness *"cannot be measured"* due to insufficient data—not that it is ineffective. The original legislative intent (Act 28, SLH 1966) was to support agricultural production and mitigate tax pyramiding. The report also finds that **over 98% of claims are made at the full 4% retail rate**, meaning repeal would significantly increase taxable burden on shipping services—likely passed down to farmers and consumers.

Amendment (Section 6, page 20, line 20):
Restore §237-24.3(1) as follows:

```
(1) Amounts received from the loading, transportation, and
unloading of agricultural commodities shipped for a
producer or produce dealer on one island of this State to
a person, firm, or organization on another island of this
State. The terms "agricultural commodity", "producer", and
"produce dealer" shall be defined in the same manner as
they are defined in section 147-1; provided that
agricultural commodities need not have been produced in
the State,
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2. Retain Capital Goods Excise Tax Credit for Agriculture (§235-110.7)

Concern:
This credit enables agricultural investment in infrastructure—critical for food safety, water efficiency, and on-farm energy systems. Eliminating it would raise barriers to farm modernization and expansion.

Auditor Reference:
Report No. 23-14, Appendix A (p. 41) confirms **§235-110.7 is not scheduled for review until the 2027 legislative session**. Its inclusion in HB1369 is premature and unsupported by any current Auditor analysis.

Amendment (Section 13, page 41, after line 20):
Insert the following language before repeal:

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This section shall remain operative for taxpayers whose
primary business activity is agricultural production as
defined in section 237-5, and who use the qualified
property directly in farming operations.
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3. Revise Enterprise Zone GET Exemption to Support Non-GE Agricultural Producers (§209E-11)

Concern:
For over two decades, Hawaii's enterprise zone tax policy has disproportionately supported genetically engineered (GE) crop producers while failing to provide equivalent benefits to non-GE producers. Many small-scale, regenerative farms

operating without GE technologies have lacked equal access to general excise tax exemptions available to other sectors. Repealing §209E-11 outright would eliminate one of the few incentives supporting Hawaii's non-GE farmers. Instead, we recommend a precise revision to extend the GET exemption to these non-GE producers while maintaining the long-standing exclusion for GE crop producers.

Auditor Reference:
Report No. 23-14, p. 28 notes the absence of performance data for the enterprise zone program but does not recommend repeal. DBEDT testified that the program has one of the lowest public costs per job created—just $1,166—highlighting its importance for rural economic development.

Legislative History:

- **Act 160 (SLH 1998)** first amended §209E-11 to support GE agricultural producers through GET exemptions.
- **Act 118 (SLH 2000)** expanded eligibility to include all GE agricultural biotechnology businesses.
- **Act 174 (SLH 2009)** limited the GET exemption for GE agricultural production, acknowledging concerns about equity and over-subsidization. Despite these changes, **non-GE producers have never received affirmative statutory recognition or equivalent support**—a gap this amendment seeks to correct.

Amendment (Section 12, page 40, line 12):
Amend §209E-11 as follows (deletion in double brackets):

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§209E-11 State general excise exemptions. The department
shall certify annually to the department of taxation that
any qualified business is exempt from the payment of
general excise taxes on the gross proceeds from an
eligible business activity as defined in this chapter;
provided that agricultural businesses other than those
engaged in the production of genetically-engineered
agricultural products shall [~~not~~] be exempt from the
payment of general excise taxes on the gross proceeds of
agricultural retail sales.
```

Conclusion

The Auditor's report emphasizes the need for better data and oversight—not the wholesale repeal of longstanding policies supporting agriculture. HB1369 HD1 risks destabilizing the very infrastructure Hawaii needs to transition toward a more self-reliant, climate-resilient food system. We urge the Committee to adopt the above amendments to protect Hawaii's farmers, producers, and communities that depend on them.

Mahalo for the opportunity to testify.

Hunter Heaivilin
Advocacy Director
Hawai'i Farmers Union

Charter Communications
Testimony of Rebecca Lieberman, Director of Government Affairs

SENATE COMMITTEE ON WAYS AND MEANS

Hawaii State Capitol
Thursday, April 3, 2025

COMMENTS ON H.B. 1369, H.D. 1 – RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee.

Thank you for the opportunity provide testimony on H.B. 1369, H.D. 1, a bill that repeals certain tax credits, deductions, and exemptions. **Charter, respectfully, opposes this measure, unless amended to reinstate the Capital Goods Excise Tax Credit.**

As the largest broadband provider in the state, Charter believes that every Hawaii resident should have reliable access to the Internet. We will continue to help bring the benefits of broadband and access to the internet to those who need it most.

The Capital Goods Excise Tax credit has been an important tool in fostering economic growth, infrastructure investment, and job creation across multiple industries in Hawaii. It helps offset the high cost in investing in critical infrastructure, including broadband networks. Charter's broadband construction is, on average, four times more expensive in Hawaii than on the continent. Repealing this tax credit would only further increase the cost of constructing broadband networks in the state, potentially slowing network expansion and leading to increased prices to customers.

We respectfully request the committee amend the measure to restore the Capital Goods Excise Tax Credit, as stricken in Section 13 on Page 41, Line 7 – Page 45 Line 16.

Mahalo for the opportunity to testify on H.B. 1369, H.D. 1.

Testimony to the Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Thursday, April 3, 2025, at 10:00AM
Conference Room 211 & Videoconference

RE: HB1369 HD1 Relating to Taxation

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber respectfully opposes House Bill 1369 House Draft 1 (HB1369 HD1), which repels certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

During this period of fiscal turbulence—marked by federal funding cuts and adjustments to a historic tax relief package—Hawaii's economic stability is at risk if key tax credits are abruptly repealed. HB1369 HD1 proposes to eliminate long-standing general excise tax (GET) and Use Tax exemptions that have been critical for supporting the state's aviation sector, including exemptions for aircraft leasing, maintenance, and service facilities.

These exemptions were deliberately enacted as strategic tools to establish a competitive aviation hub in Hawaii. In 1997, a GET exemption was introduced to entice Continental Airlines to build a $24 million jet maintenance hangar at Honolulu International Airport, and in 2001, Act 210 addressed a tax inequity by exempting lease rents on aircraft used for interisland service. Together, these measures have significantly reduced operating costs, supported local job creation, and strengthened Hawaii's position as a regional aviation center. Moreover, they have paved the way for increased investments in infrastructure, fueling further economic growth.

Additionally, the measure also removes critical enterprise zone benefits and shipping-related exemptions that lower costs for businesses in distressed areas and support interisland logistics. The abrupt repeal of these targeted tax credits is likely to increase operational expenses, hinder economic development, and slow job growth in sectors still recovering from pandemic impacts. This shift could force companies to relocate or reduce their investments in the state, further eroding economic momentum. For these reasons, the Chamber respectfully opposes HB1369 HD1, as its sudden removal of essential tax credits threatens to destabilize key industries and undermine Hawaii's long-term economic resilience.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to defer indefinitely House Bill 1369 House Draft 1. Thank you for the opportunity to testify.

Senate Committee on Ways and Means
April 2, 2025 at 10:00AM
Room 211
Decision Making Only

Testimony with COMMENTS on HB1369 HD1

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee:

On behalf of the Hawai‘i Alliance of Nonprofit Organizations (HANO), I would like to offer our comments with concerns on HB1369 HD1, in particular **HANO's opposition to the proposed removal of the general excise tax (GET) exemption currently provided under [HRS § 237-16.8], which currently allows for a GET exemption on fees and exhibit spaces for nonprofit organizations engaging in conventions, conferences, and trade shows.** The repeal of this exemption would have negative effects on the ability of nonprofits to serve communities effectively, and comes at a particularly challenging time for many nonprofits.

HANO is a statewide, sector-wide professional association of nonprofits that works to strengthen and unite the nonprofit sector as a collective force to improve the quality of life in Hawai‘i. Since 2006, HANO has been a leading voice for the nonprofit sector, leveraging resources, educating and advocating for policies and practices that promote the professionalism, sustainability, and effectiveness of nonprofits and the communities they serve.

Hawai‘i's nonprofit organizations play a vital role in addressing critical social, educational, and economic needs throughout our islands. Many of these organizations rely on conventions, conferences, and trade shows to engage with their members, educate the public, and raise necessary funds to sustain their missions.

The current tax exemption for gross income derived from conference, convention, and trade show fees recognizes the essential function these events serve in furthering the nonprofit sector's contributions to the community. By participating in these events, Hawai‘i nonprofits are able to:

1. **Provide educational and professional development opportunities** – Many nonprofit organizations host or participate in conferences and conventions to offer training, share research, and foster collaboration among the private and public sectors.
2. **Engage in outreach and public awareness efforts** – Conferences and trade shows allow nonprofits to connect with stakeholders, the public, and policymakers to advance advocacy efforts and promote community-based initiatives.
3. **Raise critical funds to support their missions** – Many nonprofits rely on revenue from these events to sustain their programs, particularly as other funding sources become increasingly competitive and limited due to recent federal actions.

4. **Boost the local economy** – Nonprofit-hosted conferences and trade shows attract attendees who spend on lodging, dining, transportation, and local businesses, contributing positively to Hawaiʻi's economy.

We strongly urge the committee to preserve the GET exemption provided under [§ 237-16.8] to ensure that nonprofit organizations can continue to leverage conferences, conventions, and trade shows as effective tools for education, outreach, and fundraising efforts.

Mahalo for the opportunity to testify.

LOCAL FOOD COALITION

Hawaiʻi Aquaculture & Aquaponics Association

Hawaiʻi Cattlemen's Council

Hawaiʻi Farm Bureau Federation

Hawaiʻi Farmers' Union United

Hawaiʻi Food Industry Association

Hawaiʻi Food Manufacturers Association

Kohala Center

Land Use Research Foundation of Hawaiʻi

Maui Farm to School Network (Maui F2SN)

Ulupono Initiative

College of Tropical Agriculture and Human Resilience - University of Hawaiʻi at Manoa

SENATE COMMITTEE ON WAYS AND MEANS
Thursday, April 3, 2025 – 10:00 a.m.
Conference Room 211 & Videoconference

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

HB 1369 HD1 – RELATING TO TAXATION

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Local Food Coalition respectfully **OPPOSES** HB 1369 HD1, specifically Section 6 of the measure, which would eliminate the General Excise Tax (GET) exemption for inter-island transportation of agricultural commodities.

This exemption, currently provided under section 237-24.3 of the Hawaii Revised Statutes, is crucial for supporting local agriculture and food security in Hawaii.

The GET exemption for the inter-island transportation of agricultural commodities is vital for several reasons. It helps reduce the high costs of doing business in Hawaii, particularly for farmers and ranchers operating across multiple islands. The exemption allows local producers to better compete with mainland products, which often have lower production and transportation costs. By supporting local agriculture, this exemption contributes to Hawaii's food security and self-sufficiency goals.

Repealing this exemption would increase costs for farmers, ranchers, and livestock producers, potentially raising food prices for consumers. The repeal would discourage inter-island agricultural trade and hinder efforts to expand local food production. These consequences run counter to the state's objectives of promoting local agriculture and enhancing food security.

The Local Food Coalition is an organization comprised of farmers, ranchers, livestock producers, investors and other organizations working to provide Hawaii's food supply.

Thank you for the opportunity to submit testimony in opposition to Section 6 of HB 1369 HD1 and we respectfully request that the committee maintain the current GET exemption for inter-island transportation of agricultural commodities.

HAWAIʻI FARM BUREAU

P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

April 3, 2025

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 1369, HD1
RELATING TO TAXATION

Conference Room 211 & Videoconference
10:00 AM

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaiʻi Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawaiʻi's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawaiʻi Farm Bureau opposes HB 1369, HD1, which repels certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws, thereby eliminating the General Excise Tax (GET) exemption for inter-island transportation of agricultural commodities.

HB 1369, HD1 proposes the repeal of several long-standing General Excise Tax (GET) and Use Tax exemptions that have been instrumental in supporting aviation operations in Hawaiʻi. Specifically, the measure seeks to repeal: Section 8 (HRS §237-24.3(11)), which exempts GET on aircraft and aircraft engine leasing; Section 11 (HRS §238-1(6) & (8)), which exempts Use Tax on aircraft leasing and maintenance; and Section 21 (HRS §237-24.9), which exempts GET for aircraft service and maintenance facilities. These provisions have helped reduce operational costs for airlines serving the state, particularly those with interisland routes, local maintenance hubs, and leasing arrangements structured to keep aircraft in Hawaiʻi. Their repeal threatens to significantly increase the cost of doing business for multiple carriers operating in the islands.

These tax exemptions were strategic policies designed to build a competitive aviation hub in Hawaiʻi. In 1997, a GET exemption helped attract a $24 million jet maintenance hangar. In 2001, Act 210 corrected a tax inequity, ensuring lease financing didn't penalize airlines. These measures have supported local jobs, training programs, and aviation infrastructure. Repealing them risks undoing decades of progress and destabilizing a key industry.

This measure removes enterprise zone benefits that attract businesses to distressed areas and repeals shipping exemptions vital to interisland logistics. These changes could raise costs, impact tourism, and weaken Hawaii’s economy. Repealing these tax reliefs may discourage investment, slow job growth, and hinder recovery in struggling sectors.

For these reasons, I respectfully oppose HB 1369, HD1 and humbly request the committee to defer indefinitely House Bill 1369 House Draft 1. Thank you for the opportunity to testify.

April 3, 2025

TESTIMONY IN OPPOSITION HB 1369 HD1
RELATING TO TAXATION

Senate Committee on Ways and Means
The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair

Thursday, April 3, 2025 at 10:00 a.m.
State Capitol, Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

Par Hawaii respectfully **opposes Section 14** which repeals §235-110.32, the renewable fuels production tax credit, and **Section 18** which repeals §237-27 refiners.

Par Hawaii, together with a coalition of local organizations and businesses, forms the Hawaii Renewable Fuels Coalition, which actively promotes the production of renewable fuels, including renewable diesel (RD) and sustainable aviation fuel (SAF), in Hawaii. This initiative is critical for the state, supporting Hawaiʻi's clean energy and decarbonization law, which have been set by the legislature, by addressing transportation and utility emissions. Repealing §235-110.32 would move the state in the opposite direction of its clean energy and decarbonization commitments.

Evidenced over the past 17 years since the Hawaii Clean Energy Initiative launched in 2008, most of our focus as a state has been on reducing lifecycle Greenhouse Gas (GHG) emission for the utility sector. Yet, there is much work still to be done. transportation emissions account for over 50% of Hawaii's GHG emissions.[1] Using "drop-in" renewable fuels that do not require retrofits to existing combustible energy engines for ground, marine and air transportation can accelerate decarbonization of multiple industry sectors and reduce independence on fossil fuels.

These liquid renewable fuels are critical to meeting Hawaii's clean energy goals. This was a key finding in the recent Act 238 Hawaii Decarbonization Pathway Study which calls for RD and SAF to be a significant part of Hawaii's fuel supply beginning later this decade.

The good news is that Par Hawaii is already investing over $90M into its renewable fuel's infrastructure. In the later part of 2025, Par Hawaii will be able to produce 60,000,000 gallons of renewable fuels for our customers to reach their decarbonization goals. Hawaii companies are also stepping up to meet the need for these carbon

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[1] https://health.hawaii.gov/cab/files/2023/05/2005-2018-2019-Inventory_Final-Report_rev2.pdf (Pages 26-27 document Transportation sector emissions of 10.68 MT of CO2 equivalent in the most recent reporting period of 2019. Total net emissions were 19.42 MT CO2 equivalent.)

reducing fuels. However, the cost to produce these fuels is significantly higher than the cost of imported crude oil, and financial incentives are required to initiate and sustain the production of these renewable fuels. These state tax incentives are essential to accelerating the transition for utilities, air, ground, and marine transportation into renewable industry development and market adoption.

Finally, the repeal of the exemption under **Section 18**, §237-27 will increase costs for consumers of our products such as Hawaii Gas, resulting in higher prices which will be passed on for residents and businesses.

Mahalo for allowing Par Hawaii to share our concerns and request that Sections 14 and 18 be retained.

Testimony of
ALASKA AIRLINES and HAWAIIAN AIRLINES

Before the Senate Committee on
WAYS AND MEANS

Thursday, April 3, 2025
10:00 a.m.
Hawaiʻi State Capitol, Room 211

In consideration of
HOUSE BILL 1369
RELATING TO TAXATION

The Honorable Donovan Dela Cruz, Chair
The Honorable Sharon Moriwaki, Vice Chair
Members of the Committee on Ways and Means

Re: **Testimony in Opposition of House Bill 1369 HD1, Relating To Taxation**

Alaska Airlines and Hawaiian Airlines appreciate the opportunity to submit testimony in **opposition** to House Bill 1369 (HB1369) HD1, which proposes to repeal a number of longstanding tax exemptions and credits that are vital to aviation operations, workforce development, and sustainable fuel investment in Hawaiʻi.

These provisions are not loopholes—they are essential to maintaining a reliable and affordable air transportation network, supporting good-paying local jobs, encouraging innovation, and promoting long-term investment in Hawaiʻi's aviation economy.

We respectfully urge the Committee to **remove the following sections from HB1369 HD1**:

- **Section 6 (HRS §237-24.3(11))** – GET exemption for aircraft and aircraft engine rental or leasing
- **Section 9 (HRS §238-1(6) & (8))** – Use Tax exemptions for aircraft leasing and maintenance
- **Section 14 (HRS §235-110.32)** – The renewable fuels production tax credit

- **Section 17 (HRS §237-24.9)** – GET exemption for aircraft service and maintenance facilities

Protecting Aviation Jobs and Hawaiʻi's Economy

Aviation is a pillar of Hawaiʻi's economy, connecting residents between islands and with the continental U.S., while supporting a thriving visitor industry. The state's high-cost environment already presents significant challenges to maintaining efficient operations and competitive fares.

Repealing these exemptions would significantly increase costs for airlines that operate in Hawaiʻi. For Hawaiian Airlines alone, the estimated impact is $17–$20 million in additional annual operating costs—a burden that could lead to serious consequences for service levels, future capital investments, and fleet maintenance.

These added costs may also impact the affordability and availability of both interisland and transpacific flights—services that are vital to residents and visitors alike.

Impact on Workforce Development

The current tax exemptions have directly supported the development of a skilled and stable local workforce. Hawaiian Airlines' apprenticeship and training programs have produced over 200 locally trained Aircraft Maintenance Technicians (AMTs)—positions that offer high wages and long-term career pathways.

With 23% of AMTs in Hawaiʻi currently over age 60, preserving these exemptions is key to continuing investment in workforce training and succession planning. Most recently, Alaska and Hawaiian Airlines jointly committed over $200,000 to the Pearl Harbor Aviation Museum's High School A&P Mechanic Program—supporting instructors, toolkits, and FAA-certification preparation.

These kinds of programs are possible, in part, because the tax structure allows for reinvestment in local talent.

Preserving Long-Term Infrastructure and Local Operations

Over the years, both airlines have made substantial capital investments in local infrastructure, including Hawaiian Airlines' state-of-the-art maintenance hangar at Honolulu International Airport (HNL).

Alaska and Hawaiian Airlines remain committed to maintaining a strong aviation presence in Hawaiʻi. The tax exemptions in question help offset the uniquely high costs of doing business in the islands, enabling us to keep maintenance and operational functions—and the local jobs tied to them—right here in Hawaiʻi.

Repealing these exemptions would shift the economic balance and could introduce pressure to reevaluate in-state operations over time, undermining Hawaiʻi's role as a strategic hub.

Advancing Sustainability Through Renewable Fuels

The repeal of the renewable fuels production tax credit under Section 14 would also undercut Hawaiʻi's progress toward climate goals. As airlines look to invest in Sustainable Aviation Fuel (SAF) to reduce carbon emissions, the removal of this critical incentive would disincentivize the production and use of cleaner fuel alternatives.

At a time when Hawaiʻi has the opportunity to lead in green aviation, we believe this tax credit is essential to spurring innovation, attracting investment, and aligning with the state's broader clean energy vision.

Conclusion

The aviation tax exemptions and renewable fuels production credit targeted in HB1369 HD1 are critical tools that sustain Hawaiʻi's air connectivity, support a skilled local workforce, promote innovation, and encourage ongoing investment in infrastructure and sustainability.

Given the unique challenges and economic significance of aviation in our island state, we urge the committee to defer this measure and maintain the existing tax incentives that support air travel, local employment, and economic sustainability.

Mahalo for the opportunity to testify.

PONO PACIFIC

April 2, 2025

TESTIMONY IN OPPOSITION TO HB 1369 HD1
RELATING TO TAXATION

Senate Committee on Ways and Means
The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair

Thursday, April 3, 2025, at 10:00 a.m.
State Capitol, Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

Thank you for the opportunity to provide testimony in OPPOSITION to HB 1369 HD1, Relating to Taxation. Pono Pacific respectfully requests that you delete Section 6 and Section 18, which repeals §237-24.3, the General Excise Tax (GET) exemption for inter-island transportation of agricultural commodities, and §235-110.32, the Renewable Fuels Production Tax Credit (RFPTC).

Repealing the GET exemption would increase costs for farmers, ranchers, and livestock producers, potentially raising food prices for consumers. The repeal would discourage inter-island agricultural trade and hinder efforts to expand local food production. These consequences run counter to the state's objectives of promoting local agriculture and enhancing food security.

Repealing the RFPTC will have the unfortunate effect of reducing the availability and increasing the costs for renewable fuel in Hawaii at a time when local companies are helping the State advance its carbon reduction goals by producing more liquid renewable fuels.

Pono Pacific is Hawaiʻi's first and largest private natural resource conservation company providing land management, restoration services, sustainable agricultural development, renewable energy, and eco-asset development for large and small-scale projects throughout the state. Pono Pacific's expertise creates a more resilient future by promoting industries that activate working lands, increase food security and community engagement, and protect natural resources. Since 2023, Pono Pacific has partnered with Par Hawaii to develop a consistent supply of feedstocks for biofuel production across the state. Locally grown feedstocks will provide farmers with a viable economic commodity to supply the refinery and help stimulate growth in the agricultural economy.

Par Hawaii has publicly committed to spending significant capital, approximately $100M, retrofitting its Kapolei refinery to produce liquid renewable fuels, including Sustainable Aviation Fuel (SAF). Eliminating this tax credit would have negative economic consequences, including:

- Increasing energy costs for public agencies, airlines, utilities, farmers, and fuel providers;
- Loss of private investment in renewable fuel production, diverting projects to states with stronger incentives like California, Oregon, and Washington; and
- Reducing energy security, making Hawaiʻi more vulnerable to price fluctuations in global fuel markets.

Renewable fuels face a financial hurdle and cost more to produce than conventional alternatives. These incentives will empower us to cultivate energy independence, foster economic growth, and create a sustainable future for our islands. <u>We urge you to delete Sections 6 and 18 from this bill</u>. Thank you for your time and consideration.

Mahalo,

Chris Bennett
Vice President of Sustainable Energy Solutions
Pono Pacific Land Management, LLC

Hawaiʻi Island Chamber of Commerce

1321 Kinoʻole Street - Hilo, Hawaiʻi 96720

Phone (808) 935-7178 - Fax (808) 961-4435 - Email exec@hicc.biz - www.hicc.biz

TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HB1369 HD1 – Relating to Taxation – IN OPPOSITION
Thursday, April 3, 2025 10:00 AM

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

On behalf of the Hawaiʻi Island Chamber of Commerce, which represents over 300 businesses and individual members—primarily on the east side of Hawaiʻi Island—I submit this testimony in respectful and strong opposition to HB1369 HD1. This bill seeks to repeal certain tax credits, deductions, and exemptions under the income tax, general excise tax (GET), and use tax laws, including the GET exemption for interisland transportation of agricultural commodities. HB1369 HD1 would also repeal several long-standing GET and Use Tax exemptions that have been crucial in supporting aviation operations in Hawaiʻi.

Specifically, the measure proposes eliminating:
HRS §237-24.3(11) – GET exemption for aircraft and aircraft engine leasing
HRS §238-1(6) & (8) – Use Tax exemption for aircraft leasing and maintenance
HRS §237-24.9 – GET exemption for aircraft service and maintenance facilities

These provisions have played a vital role in reducing operational costs for airlines, particularly those serving interisland routes. They have also supported local maintenance hubs and leasing arrangements that help keep aircraft in Hawaiʻi. Their repeal would significantly increase the cost of doing business for multiple carriers operating in the state.

Hawaiʻi has long used strategic tax policies to foster a competitive aviation hub. A GET exemption in 1997 helped attract a $24 million jet maintenance hangar, and in 2001, Act 210 corrected a tax inequity that previously penalized lease financing for airlines. These policies have contributed to the creation of jobs, workforce training, and essential aviation infrastructure. Repealing them now would reverse decades of progress and destabilize an industry critical to the state's economy.

This measure removes enterprise zone benefits designed to attract businesses to economically distressed areas and eliminates shipping exemptions vital to interisland logistics. These changes could increase costs across multiple industries, weaken tourism, and hinder economic growth. Eliminating these tax incentives may discourage investment, slow job creation, and stall recovery in key sectors.

For these reasons, I respectfully urge the committee to defer HB1369 HD1 indefinitely. Thank you for the opportunity to submit testimony.

Carla Kuo
Executive Officer
Hawaiʻi Island Chamber of Commerce

Comments on HB1369 HD1, Relating to Taxation

Senate Committee on Ways and Means
April 3, 2025

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee,

The Hawaii Harbors Users Group ("HHUG") is writing to comment on HB1369 HD1, relating to taxation, which would, among other things, remove the exemption from state excise tax on certain shipbuilding and ship repair revenue.

Hawaii's commercial shipping industry is the backbone of our economy, with more than 80 percent of all goods arriving in our state through its harbors. According to a report of the Department of Business, Economic Development & Tourism, virtually all aspects of Hawaiʻi's economy are tied to the Maritime Cargo Sector including interstate commerce, global trade, and energy supply. At the state level, an annual average in excess of 12 million tons of maritime cargo was shipped into the state, and an annual average of 1.6 million tons was shipped out of state. By weight, the average inbound cargo tonnage comprised 88.4 percent of the total, with the remaining 11.6 percent being outbound cargo. Ship repair is therefore essential to facilitate commerce and any measures which make it more costly or less feasible for ships to be repaired here could potentially result in increased costs across the economy and/or the loss of jobs.

HHUG's mission is to support and strengthen Hawaii commercial maritime operations, working closely with members, partners, stakeholders, and government leaders. Our vision is for resilient, efficient, and effective commercial maritime industry, serving the needs of the people of Hawaii.

Mahalo for the opportunity to comment on this bill.

1099 Alakea Street, Suite 2530, Honolulu, HI 96813 | (808) 447-1840

Hawaii Credit Union League
Your Partner For Success
1654 South King Street
Honolulu, Hawaii 96826-2097
Telephone: (808) 941.0556
Fax: (808) 945.0019
Unite for Good
Web site: www.hcul.org
Email: info@hcul.org

Testimony to the Senate Committee on Ways & Means
Thursday, April 3, 2025
Conference Room 211

Testimony in Opposition to HB 1369 HD1, Relating to Taxation

To: The Honorable Donovan DelaCruz, Chair
The Honorable Sharon Moriwaki, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 45 Hawaii credit unions, representing over 877,000 credit union members across the state.

HCUL offers the following comments in opposition to HB 1369 HD1, Relating to Taxation. This bill repeals certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws. Pages 29-30, lines 16-21 & 1-2 of the bill would repeal the current credit union general excise tax exemption of Hawaii's credit unions.

Credit unions play a vital role in our communities by providing affordable financial services, especially to working families, small businesses, and underserved populations. Unlike for-profit banks, credit unions are member-owned, not-for-profit cooperatives that reinvest earnings back into their members in the form of lower loan rates, higher savings yields, and fewer fees. The GET exemption has long recognized the unique mission of credit unions and their role in supporting financial stability for local residents.

Thank you for the opportunity to provide comments on this issue.

Airlines for America®

We Connect the World

April 2, 2025

Testimony on HB 1369 Relating to Taxation

SENATE COMMITTEE ON WAYS AND MEANS
Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair

Dear Chair Dela Cruz, Vice-Chair Moriwaki and Members of the Committee:

Airlines for America® (A4A), the principal trade and service organization of the U.S. airline industry, is concerned with the possibility of unintended consequences of several provisions in HB 1369, including the repeal of:

- the exemption for aircraft and aircraft engine rental or leasing;
- the exemption for aircraft service and maintenance facilities and
- the renewable fuels production tax credit.

We are concerned about the impact of increased operating costs to airlines, which will in turn affect costs for Hawaii residents and visitors alike. Specifically, repealing the GET exemption for aircraft maintenance and repair could result in air carriers making operational changes that could be harmful to opportunities for the skilled workers in these roles.

Additionally, the repeal of the renewable fuels production tax credit would discourage investments in sustainable aviation fuel (SAF), slowing Hawaii's transition to cleaner air travel. A4A and its members have a strong climate change record and are committed to working across the aviation industry and with government leaders in a positive partnership to achieve net-zero carbon emissions by 2050. Airlines, governments and other aviation stakeholders have recognized that achieving net-zero aviation emissions by 2050 will require a rapid transition from conventional jet fuel (CJF) to SAF. Repealing the renewable fuels production tax credit would set that effort back in Hawaii.

Because of the unintended consequences of this proposal, we respectfully urge you to oppose HB 1369. We look forward to continuing to work with the legislature to address these important public policy challenges.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, USE, Repeals several exemptions and credits

BILL NUMBER: HB 1369 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Repeals certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

SYNOPSIS: Amends section 237-16.5, HRS, to repeal the sublease deduction now afforded to a sublessor who is paying lease rent to a lessor on the subleased property.

Amends section 237-24, HRS, by deleting paragraph (13) that presently affords an exemption for independent sugar cane farmers.

Amends section 237-24.3, HRS, by deleting paragraph (1) that presently affords an exemption for amounts received from loading, transportation, and unloading of agricultural commodities shipped interisland.

Also deletes paragraph (11) that presently exempts amounts received as rent for the rental or leasing of aircraft or aircraft engines used by the lessees or renters for interstate air transportation of passengers and goods.

Amends section 237-25, HRS, to delete the exemption for sales of tangible personal property to the Federal Government other than liquor and tobacco.

Amends the definition of "use" in section 238-1, HRS, to delete the exemptions corresponding to sections 237-24.3(11) and 237-24.9, HRS, relating to aircraft.

Amends section 238-3, HRS, by deleting current subsection (h) relating to vessels constructed prior to July 1, 1969, and (k) relating to air pollution control facilities.

Repeals section 209E-11, HRS, allowing a general excise tax exemption for eligible business activity in an enterprise zone.

Repeals section 235-110.7, HRS, relating to the capital goods excise tax credit.

Repeals section 235-110.32, HRS, relating to the renewable fuels production tax credit.

Repeals section 237-16.8, HRS, that presently exempts certain convention, conference, and trade show fees from the general excise tax.

Repeals section 237-24.5, HRS, that presently exempts certain amounts received by a stock exchange from the general excise tax.

Repeals section 237-24.9, HRS, that presently exempts certain aircraft service and maintenance fees and amounts associated with an aircraft maintenance facility from the general excise tax.

Repeals section 237-27, HRS, that presently exempts certain petroleum refiners from the general excise tax.

Repeals section 237-27.5, HRS, that presently exempts air pollution control facilities from the general excise tax.

Repeals section 237-28.1, HRS, that presently exempts shipbuilding and ship repair businesses from the general excise tax.

Repeals section 237-30.7, HRS, that presently requires withholding of general excise tax on loan-out companies being paid by persons claiming the motion picture, digital media, and film production credit under section 235-17, HRS.

Makes other technical and conforming amendments.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This bill proposes to repeal a number of industry-specific tax incentives. Apparently, the object of this bill is to ask the beneficiaries of each of the targeted incentives to justify the continued existence of those incentives.

The Foundation will limit its comments at this time to two of the targeted provisions that have more systemic effects.

GET: Sublease Deduction (section 237-16.5, HRS)

Sales taxes in most states leave rent alone, but our General Excise Tax (GET) taxes it. Before the late 1990's, both the lessor and the sublessor had to pay the full retail tax amount on the rent they respectively received, meaning that although there was only one tenant on the particular piece of property, sometimes a homeowner, sometimes a small business, 4% tax was imposed several times: when the tenant paid his landlord, when that landlord paid the person it was renting from, and so on up the chain up to the ultimate owner. (By the way, even if the owner is a charity – a church or a school, for example – GET is still imposed.)

To deal with this problem, a "Sublease Deduction" was enacted in 1997. It says that if a person is both renting real property from a landlord and then subleasing it, then the person, although paying 4% tax on the rent received, gets a deduction worth 3.5% of the rent paid. The lessor further up the chain pays 4% of that rent, making the effective tax rate on the first tier rent 0.5%, the same GET rate we normally apply to wholesale sales. The law now applies to written leases of real property.

We do not believe this to be an incentive, but rather a provision to mitigate the pyramiding effect of the GET that otherwise would apply to real property rents.

GET: Exemption for Sales of Tangible Personal Property to the Federal Government (section 237-25, HRS)

This exemption, which dates back to Act 284, SLH 1951, is meant to promote competitiveness of Hawaii suppliers to the Federal Government.

When the Federal Government buys goods for use in Hawaii, it can either buy them from a Hawaii supplier or buy them from an out-of-state supplier and bring them into Hawaii. A normal person wishing to buy goods for use in Hawaii would need to deal with an in-state supplier that is charged the General Excise Tax or pay the Use Tax at an equivalent rate if the person imports those goods. The Federal Government, however, cannot be taxed directly by the State under the doctrine of intergovernmental tax immunity, dating from *McCulloch v. Maryland,* 17 U.S. 316 (1819), giving a competitive advantage to out-of-state suppliers.

Thus, the subject exemption was afforded to local suppliers to level the economic playing field.

Digested: 3/31/2025

HAWAII CROP IMPROVEMENT ASSOCIATION

HB1369 HD1 – With Comments
Relating to Taxation

Senate Committee on Ways and Means

Date: Thursday, April 3, 2025
Time: 10 AM
Place: Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Hawaii Crop Improvement Association (HCIA) appreciates the opportunity to provide **comments on HB1369 HD1**, which repeals certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

HCIA takes no position on the majority of the contents of HB1369 HD1 but is concerned about the repeal of Section 209E-11 as it relates to agriculture. State Enterprise Zones were created with the intent to develop, expand, and encourage private sector growth. Its purpose is to stimulate businesses through tax incentives and regulatory flexibility in often underserved geographic areas that would result in revitalized communities and job growth, particularly in the agricultural and industrial sectors.

HCIA is concerned that by repealing this tax exemption, it could potentially hurt the agriculture industry and our state's hard-working farming community. We support initiatives that seek to grow existing industries and expand into new industries for the betterment of Hawaii's agricultural economy, and believe this measure could run counter to that.

Mahalo for the opportunity to submit testimony on this measure.

The Hawaii Crop Improvement Association is a Hawaii-based non-profit organization that promotes modern agriculture to help farmers and communities succeed. Through education, collaboration, and advocacy, we work to ensure a safe and sustainable food supply, support responsible farming practices, and build a healthy economy.

P.O. Box 126 Aiea, HI 96701 – Info@bettercropshawaii.com – www.bettercropshawaii.com

Hawaii
Aquaculture &
Aquaponics **A**ssociation

Testimony Presented to
Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Wednesday, April 2, 2025, 10:01am
Conference Room 211 & Videoconference
by
Ron Weidenbach, HAAA President
SUBJECT: Comments on HB1369 HD1 – RELATING TO TAXAION

Aloha Senator Dela Cruz, Chair, and Senator Moriwaki, Vice Chair, Committee on Ways and Means,

The Hawaii Aquaculture and Aquaponics Association (HAAA), established in 1975 and representing aquaculture industry members statewide respectfully provides comments on HB1369 HD1.

Specifically, **the HAAA strongly opposes the repeal of:**

- **Section 14, the GET exemption in section 209E-11, HRS, for qualified business conducted in an enterprise zone, and of**
- **Sections 15 and 27 the income tax credit for renewable energy technologies in section 235-12.5, HRS, and the identical franchise tax credit under section 241-4.6, HRS.**

Justifications:
The Enterprise Zone GET exemption for farms located in designated Enterprise Zones benefits the farmer/rancher and the associated rural community while contributing to the State's goals of increased local food production and increased food security.

The renewable energy income tax credit supports farmers and ranchers by providing an opportunity to install a reliable on-site energy source for daily operations, processing, and workforce housing which are often off-grid and in need of such renewable energy autonomy.

Thank you for the opportunity to offer comments on HB1369 HD1 and our noted opposition to the repeal of Sections 14, 15, and 27.

April 3, 2025

TESTIMONY IN OPPOSITION OF HB 1369 HD1 RELATING TO TAXATION

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Ways and Means Committee,

Nahelani Parsons, Executive Director for the Hawaiʻi Renewable Fuels Coalition (HRFC). Mahalo for the opportunity to testify in **opposition** to **Section 14 of HB1369 HD1**, which proposes to repeal the Renewable Fuels Production Tax Credit (HRS §235-110.32).

This credit is already delivering real, measurable returns for Hawaiʻi through concrete private-sector investment.

In April 2023, Par Hawaii announced a **$90 million investment** to convert a unit at the Kapolei refinery to renewable fuel production. The Renewable Hydrotreater (RHT) is currently under construction and will be operational in the second half of 2025. Using hydrotreating, a process that removes oxygen and impurities from fats, oils, and grease, the RHT will produce **approximately 60 million gallons per year of renewable fuels.** These "drop-in" fuels are compatible with existing infrastructure and will include:

- **Sustainable aviation fuel (SAF)** for airlines,
- **Renewable diesel** for ground, marine, and power generation,
- **Renewable naphtha** used in gasoline blending, synthetic natural gas, and power production.
- Par Hawaii is actively negotiating supply contracts with customers including **Hawaiʻi Gas, Hawaiian Electric, the Hawaiʻi Department of Transportation, Hawaiian x Alaska Airlines**, ensuring broad in-state utilization. Par Hawaii intends to utilize the Renewable Fuels Production Tax Credit for tax years 2025 and 2026, a key factor in making these fuels price-competitive for local consumers.

Repealing the Renewable Fuels Production Tax Credit (RFPTC) now would introduce uncertainty at a critical stage of project development, when jobs are being created, long-term contracts are underway, and Hawaiʻi stands to gain significant economic, supply chain, and infrastructure benefits. As a key incentive supporting the state's clean energy transition, job growth, and energy security, eliminating the credit would deter private investment, increase reliance on imported fossil fuels, and undermine progress toward Hawaiʻi's goal of 100% renewable energy by 2045.

We represent a diverse alliance of stakeholders working to achieve Hawaiʻi's renewable energy goals. Our founding members include:

- **Hawaiian/Alaska Airlines**: Leaders in adopting Sustainable Aviation Fuel (SAF) to decarbonize the aviation sector.
- **Pono Pacific**: Hawaiʻi's largest natural resource conservation company, advancing oil crop feedstock cultivation to support local renewable fuel production.
- **Par Hawaiʻi**: The state's largest energy supplier, investing over $90 million in renewable fuel production technology to strengthen energy security and sustainability.

In addition to these partners, HRFC collaborates with:

Pacific Biodiesel, a local producer of biodiesel. The Hawaiʻi Farm Bureau, representing 1,800 farm families statewide, to support renewable feedstock cultivation and enhance food and energy security. Ranchers, dairy farmers, and conservationists, such as Meadow Gold and Haleakalā Ranch, contributing to Hawaiʻi's resilience and self-sufficiency. Airlines for America, which advocates for SAF adoption nationwide to reduce aviation emissions.

Hawaiʻi Renewable Fuels Coalition members in alphabetical order:

Airlines for America	**Alaska Airlines**	**Haleakala Ranch**
Hawaii Farm Bureau	**Hawaii Fuelling Facilities Corp**	**Hawaiian Airlines**
Hawaiian Electric	**ITOCHU Corporation**	**Japan Airlines**
Kuilima Farm	**Meadow Gold Hawaii**	**Pacific Biodiesel**
Par Hawaii	**Pono Pacific**	**United Steelworkers**

Hawaiʻi has taken significant steps to reduce its dependence on imported petroleum, but key industries, including aviation, maritime, ground transportation, agriculture, and electricity generation still require firm, renewable energy sources. The RFPTC would help attract investment from local and national stakeholders, ensuring that state agencies, utilities, and businesses have access to affordable, local renewable fuels.

Eliminating this tax credit would have negative economic consequences, including:

- Increased energy costs for public agencies, airlines, utilities, farmers, and fuel providers.

- Loss of private investment in renewable fuel production, diverting projects to states with stronger incentives like California, Oregon, and Washington.
- Reduced energy security, making Hawaiʻi more vulnerable to price fluctuations in global fuel markets.

Together, we are working to build a stronger, more resilient energy future that supports local jobs, reduces import reliance, and keeps energy dollars circulating within Hawaiʻi's economy.

We respectfully urge the Legislature to maintain this credit as a smart economic development strategy and a proven vehicle for private investment by deleting **Section 14 from HB1369 HD1** which is necessary to prevent backsliding on Hawaiʻi's clean energy goals. Mahalo for your time and consideration.

Nahelani Parsons
Executive Director
Hawaiʻi Renewable Fuels Coalition

HB-1369-HD-1
Submitted on: 4/1/2025 5:13:46 PM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Monty Pereira	Testifying for Watanabe Floral, Inc	Oppose	Written Testimony Only

Comments:

Testimony to the Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Thursday, April 3, 2025, at 10:00AM

Conference Room 211 & Videoconference

RE: HB1369 HD1 Relating to Taxation

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Monty Pereira. I am in respectful opposition of House Bill 1369 House Draft 1 (HB1369 HD1), which repels certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws, thereby eliminating the General Excise Tax (GET) exemption for inter-island transportation of agricultural commodities.

HB1369 HD1 proposes the repeal of several long-standing General Excise Tax (GET) and Use Tax exemptions that have been instrumental in supporting aviation operations in Hawaiʻi. Specifically, the measure seeks to repeal: Section 8 (HRS §237-24.3(11)), which exempts GET on aircraft and aircraft engine leasing; Section 11 (HRS §238-1(6) & (8)), which exempts Use Tax on aircraft leasing and maintenance; and Section 21 (HRS §237-24.9), which exempts GET for aircraft service and maintenance facilities. These provisions have helped reduce operational costs for airlines serving the state, particularly those with interisland routes, local maintenance hubs, and leasing arrangements structured to keep aircraft in Hawaiʻi. Their repeal threatens to significantly increase the cost of doing business for multiple carriers operating in the islands.

These tax exemptions were strategic policies designed to build a competitive aviation hub in Hawai‘i. In 1997, a GET exemption helped attract a $24 million jet maintenance hangar. In 2001, Act 210 corrected a tax inequity, ensuring lease financing didn’t penalize airlines. These measures have supported local jobs, training programs, and aviation infrastructure. Repealing them risks undoing decades of progress and destabilizing a key industry.

This measure removes enterprise zone benefits that attract businesses to distressed areas and repeals shipping exemptions vital to interisland logistics. These changes could raise costs, impact tourism, and weaken Hawaii’s economy. Repealing these tax reliefs may discourage investment, slow job growth, and hinder recovery in struggling sectors.

For these reasons, I respectfully oppose HB1369 HD1 and humbly request the committee to defer indefinitely House Bill 1369 House Draft 1. Thank you for the opportunity to testify.

HB-1369-HD-1
Submitted on: 4/1/2025 7:12:28 AM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Robert Dawson	Testifying for Ko Hana Farms	Oppose	Written Testimony Only

Comments:

Testimony Opposing H.B. 1369 – Repeal of the General Excise Tax Exemption for Independent Sugar Cane Farmers

Submitted by: Robert Dawson, Co-Founder, Kō Hana Farms

Date: April 1, 2025

Senator Donovan M. Dela Cruz, Chair and Senator Sharon Y. Moriwaki, Vice Chair,

My name is Robert Dawson, and I am the co-founder of Kō Hana Farms. We have been farming sugar cane on O‘ahu for over ten years and currently cultivate several hundred acres in Waialua, Hale‘iwa, and Kunia. Our operations continue to expand, with plans to grow to as many as 1,000 acres over the next five years. Today, I am submitting testimony in strong opposition to H.B. 1149, which seeks to repeal the General Excise Tax (GET) exemption for independent sugar cane farmers.

While it has been suggested that this exemption is “rarely claimed,” I want to clarify that the lack of claims does not mean the exemption is unnecessary or unused—it simply means that awareness of it has been limited. In our case, we were unaware of the exemption and therefore never filed for it, despite our decade of farming operations. This exemption directly supports the growth and sustainability of local, independent sugar cane farms, and removing it would have an adverse effect on businesses like ours.

Our company currently employs 13 full-time farmers, and we are actively expanding our workforce as we scale operations. Retaining this tax exemption will allow us to hire more farmers, reinvest in our agricultural expansion, and further strengthen Hawaii’s farming industry. Repealing the exemption, on the other hand, would create an unnecessary financial burden that slows our ability to grow and contribute to the local economy.

Hawaii has a long and rich history of sugar cane cultivation, and while the large-scale plantations of the past are gone, independent farming efforts like ours are revitalizing the industry in new and sustainable ways. This exemption serves as an important tool in helping small and mid-sized farmers compete and thrive. If repealed, it would hinder the very agricultural resurgence that the state should be supporting.

For these reasons, I urge you to oppose H.B. 1369 and preserve the GET exemption for independent sugar cane farmers. Instead of eliminating this exemption, I encourage the state to increase awareness of it so that more qualifying farmers can benefit.

Mahalo for your time and consideration.

Robert Dawson

Co-Founder, Kō Hana Farms

Park Hotels & Resorts Inc.
Scott Winer, SVP Tax
1775 Tysons Boulevard
7th Floor
Tysons, VA 22102
+1 571 302 5757 Main

WRITTEN TESTIMONY OF

Scott D. Winer
Senior Vice President, Tax
Park Hotels & Resorts Inc.

IN OPPOSITION TO HB 1369 H.D. 1

BEFORE THE COMMITTEE ON WAYS AND MEANS

SENATOR DELA CRUZ, CHAIR

SENATOR MORIWAKI, VICE CHAIR

HEARING ON HB 1369, H.D. 1

April 3, 2025

Testimony of Park Hotels & Resorts Inc.

HB 1369, H.D.1 Relating to Taxation

April 3, 2025

Dear Senator Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means:

Thank you for the opportunity to testify in **opposition** to HB 1369, H.D.1, which proposes to repeal certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

Park Hotels & Resorts Inc. ("Park") opposes the elimination of the capital goods excise tax credit found in Section 13 (page 41) and Section 21 (page 65) of this bill. These provisions are currently used for the capital goods excise tax credit, which is repealed by Sections 17 and 26 of this bill, on pages 67 and 92, respectively.

Park is a publicly traded lodging real estate investment trust ("REIT") (NYSE:PK) with a diverse portfolio of hotels and resorts. Currently Park owns 40 premium-branded hotels and resorts, including (i) the **Hilton Hawaiian Village Waikiki Beach Resort** located along Oahu's prestigious Waikiki Beach, and (ii) the **Hilton Waikoloa Village** located on the Kohala Coast of the Big Island of Hawaii.

Park has been and continues to be a solid corporate citizen and partner to the state of Hawai'i – paying significant tax, supporting numerous jobs (directly and indirectly), and benefiting the community at-large since its inception.

Park has several major upgrades to its Hawaii properties planned, including the potential construction of an additional hotel tower at its Hilton Hawaiian Village Waikiki Beach Resort complex along Ala Moana Boulevard on Oahu. The project is in permitting phases with the City & County of Honolulu.

Park is **opposed** to the proposal in this bill to **eliminate the capital goods excise tax credit**. As the Committee is aware, doing business in Hawaii is an incredible economic challenge for many reasons, including the compounding nature of the general excise tax. The existence of the capital goods excise tax credit helps to relieve the impacts of the general excise tax and provides a relief and incentive for businesses like Park to continue to invest in the State. This in turn will continue to bring revenue into the State and counties in the form of general excise tax, transient accommodations tax, and property tax. It also supports the many jobs created by Park's assets in the tourism and construction industries. In these uncertain times, we do not believe it is a good time to discourage future investment in the State by eliminating the capital goods excise tax credit.

We thank you for this opportunity to provide testimony against HB 1369 HD1 and hope you consider removing the capital goods excise tax credit from this bill.

Respectfully submitted,

Spw

Scott Winer

HB-1369-HD-1
Submitted on: 3/31/2025 5:34:29 PM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Katrina Fenner	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chairs, Vice Chairs, Members of the comittee,

I'm wirting in strong opposition to HB 1369, which would repeal tax credits for residents. This is an imprtant measure that increases the accessibility of solar energy to residents and ensures that clean energy is available. This generates revenue afor the state and represents a growing clean sector for clean energy in Hawaiʻi. It is important that the state incentivizes residents to live more sustainably. PLEASE OPPOSE

Mahalo for listening to my testimony

Mahalo for hearing my testimony today,

Katrina Fenner, UH Manoa student

HB-1369-HD-1
Submitted on: 4/1/2025 6:45:15 AM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Oppose	Written Testimony Only

Comments:

This is simply a bad idea at a bad time. Mahalo.

HB-1369-HD-1
Submitted on: 3/31/2025 11:56:04 AM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Marcia Kemble	Individual	Oppose	Written Testimony Only

Comments:

Greetings Committee Chair and Committee Members,

I OPPOSE HB1369. I strongly support preserving tax credits that support the use of renewable energy in Hawaii, whether it is solar, wind or biofuels. We need to use all tools at our disposal to combat the serious consequences of climate change.

Mahalo for your consideration.
Marcia Kemble
Makiki

HB-1369-HD-1
Submitted on: 4/1/2025 8:52:05 PM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Charlie Field	Individual	Oppose	Written Testimony Only

Comments:

The bill should be amended to retain tax exemption for shipbuilding and ship repair (ref. page 65, lines 12-19). It is important to keep this tax exemption for a critical sector of Hawaii's economy.

HB-1369-HD-1
Submitted on: 4/2/2025 12:49:54 AM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Bill Clifford	Individual	Support	Written Testimony Only

Comments:

As a former Chairman and Founder of the Ship Repair Association of Hawaii from ~2000-2005, I strongly support this GET Tax Exemtion Bill. Hawaii is a maritime State and the private sector ship repair industry is vital to the community, the Port and the thousands of employees directly and indirectly involved in this critical industry. The tax which would be passed on to the customer could negatively impact the amount of work that is accomplished in Hawaii and could discourage ship operators/owners from maximizing the local Hawaii capabilities. Therefore, I strongly support retaining the GET Tax Exemption.

HB-1369-HD-1
Submitted on: 4/2/2025 9:24:15 AM
Testimony for WAM on 4/3/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Murakami Akatsuka	Individual	Oppose	Written Testimony Only

Comments:

I oppose HB 1369, HD 1 and ask that it be deferred. I am glad that this HD 1 version removes the provisions that repealed the Renewable Energy Technologies Tax Credit and the Motion Picture, Digital Media, and Film Production Income Tax Credit; but did not see the removal of the provisions of the: 1) GET: Sublease Deduction, 2) GET: Exemption for Sales of Tangible Personal Property to the Federal Government, 3) State Enterprise Zones Program, and 4) Exemption from income tax for shipping for a producer or produce dealer on one island to another (Agricultural commodities). These concerns and recommendations were written in prior testimonies from the Department of Business, Economic Development & Tourism, Department of Agriculture, and the Tax Foundation of Hawaii.

Therefore, please defer HB 1369, HD 1. Thank you for the opportunity to submit testimony in opposition of this bill.

TESTIMONY **ON HB1369 HD1**, RELATING TO
TAXATION
Position: **Testifying with comments**

To the Honorable Senator Donovan M. Dela Cruz, Chair; Senator Sharon Y. Morikawa, Vice Chair; and Members of the Committee on Ways and Means:

Please accept this testimony on behalf of Simonpietri Enterprises, LLC with our comments

As it is currently written, HB1369 would also repeal the biofuels production tax credit. At present, the biofuels facility production tax credit provides a significant incentive to industry practitioners to develop new local renewable fuel production capacity, by providing a reliable tax credit for the first 10 years of a new production facility's operation. It has also helped Hawaii to compete against other states for infrastructure investment. Repealing the biofuels production tax credit adds to the uncertainty we are experiencing on policy at the national level from the current administration, and doing so well before the sunset date also sends a message that Hawai'i isn't willing to support strong clean energy goals with reliable policy incentives. It is our recommendation that if this bill moves forward, that it be amended to remove the biofuels production tax credit from being included.

We appreciate the opportunity to submit testimony and thank you for consideration of our comments on this bill.

Mahalo,

Joelle Simonpietri
President

About Simonpietri Enterprises LLC

Simonpietri Enterprises is a Kailua, Hawaii-based woman- and veteran-owned small business with ten employees, focused on technical innovation and first-of-kind project development of emerging clean and renewable technologies since 2006. Simonpietri Enterprises has helped industrial companies in Hawaii, the continental U.S., Australia, and Canada clean up their act by reducing waste, increasing recycling, switcfhing from fossil to renewable fuel manufacturing and use, and replacing traditional high-pollution processes with newer and more efficient ones for nearly 20 years. Since launching the Aloha Carbon waste-to-fuel technical development process in August 2020, Simonpietri Enterprises is now developing renewable fuel production facilities in its own right, starting with the Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF) in Kapolei, Hawaii to divert wastes generated in Honolulu from landfilling and transform the waste to renewable fuel, organic fertilizer, and recycled-material building products. The SMRFF is a small pilot plant, intended to facilitate scaling up to the Aloha Carbon renewable fuel production facility. Aloha Carbon is designed to divert 500 tons per day of waste from landfilling, and convert it to renewable fuels, starting with green hydrogen and renewable natural gas, then expanding to sustainable aviation fuel. To properly develop the SMRFF and Aloha Carbon projects, we embarked on four years of community engagement and input from the West O'ahu community to inform the project's siting, scale, scope, and products. We asked for and received hundreds of survey responses, conducted several dozen stakeholder interviews, and provided over half a dozen Neighborhood Board and Environmental Justice committee briefings, for two-way information flow to inform the community and also have the community inform our projects. We made the Aloha SMRFF's Environmental Assessment available for public input for a full year, in order to ensure transparency to, and solicit input from, the community. This effort concluded with 100% public comments in support of the project, a unanimous vote of support from the Makakilo-Kapolei Neighborhood Board at their September 2024 meeting to site the plant in their jurisdiction, and acceptance of the Environmental Assessment by the City and County of Honolulu with a Finding of No Significant Impact in January 2025.

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
Thursday, April 3, 2025 AT 10:00 A.M.

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the committee on Ways and Means

OPPOSE HB1369 HD1 RELATING TO TAXATION

The Maui Chamber of Commerce **OPPOSES HB1369 HD1** which repeals certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

The Chamber is concerned that Hawaii's economic stability is at risk if key tax incentives are abruptly repealed. This bill proposes to eliminate long-standing GET and use tax exemptions that have been instrumental in supporting the state's aviation sector, including exemptions for aircraft leasing, maintenance, and service facilities.

These exemptions were deliberately enacted as strategic tools to help establish Hawaii as a competitive aviation hub. For example, Act 210 (2001) addressed a tax inequity by exempting lease rents on aircraft used for interisland service. This and related measures have significantly reduced operating costs, supported local job creation, and strengthened Hawaii's position as a regional aviation center. Moreover, they have encouraged investment in infrastructure, driving broader economic growth.

In addition, the bill removes critical enterprise zone benefits and shipping-related exemptions that lower costs for businesses in economically distressed areas and support interisland logistics. The abrupt repeal of these targeted tax credits is likely to increase operational expenses, hinder economic development, and slow job growth in sectors still recovering from the impacts of the pandemic. This shift could compel companies to relocate or scale back investments in Hawaii, further weakening the state's economic momentum.

For these reasons, we respectfully OPPOSE HB1369 HD1 and urge that it be deferred. The sudden removal of essential tax credits threatens to destabilize key industries and undermine Hawaii's long-term economic resilience.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

62 North Market St., Suite 302, Wailuku, Hawaii 96793
808-244-0081 legislation@MauiChamber.com MauiChamber.com

LATE

MAUNA KEA
RESORT

April 2, 2025

Aloha Senator Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways & Means,

Mahalo for the opportunity to testify in **opposition** to HB 1369, H.D.1, which proposes to repeal certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws.

Mauna Kea Resort is comprised of Mauna Kea Beach Hotel, Mauna Kea Golf Course, The Westin Hapuna Beach Resort, Hapuna Golf Course, and the Mauna Kea Resort Residences that are all located on the Island of Hawai'i. As the largest employer on Hawaii Island Mauna Kea Resort provides employment for over 1,200 residents of our island.

Mauna Kea Resort is opposed to the proposal in this bill to eliminate the capital goods excise tax. As the Committee is aware, doing business in Hawai'i is an incredible economic challenge for many reasons including the compounding nature of the general excise tax. The existence of the capital goods excise tax credit helps to relieve the impacts of the general excise tax and provides a relief and incentive for businesses like ours to reinvest in our facility and our community.

Mahalo for your consideration.

Sincerely,

Craig

Craig Anderson
Vice President of Operations

62-100 Kauna'oa Drive, Kohala Coast, Hawaii 96743 | phone 808.882.7222 | fax 808.882.5700 | MaunaKeaResort.com

Prince Resorts Hawaii

LATE

Written Testimony Of

Shigeki Yamane
President
Prince Resorts Hawaii, Inc.

IN OPPOSITION TO HB 1369 H.D. 1

Before the Committee on Ways and Means
Senator Dela Cruz, Chair
Senator Moriwaki, Vice Chair

HEARING ON HB 1369 H.D. 1

April 3, 2025

Testimony of Prince Resorts Hawaii, Inc
HB 1369 H.D. 1 Relating to Taxation

April 2, 2025

Dear Senator Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means,

I appreciate the opportunity to submit testimony in opposition to HB 1369, H.D.1, which proposes the repeal of various tax credits, including the capital goods excise tax credit. This credit plays a vital role in supporting businesses like ours, and we believe its removal would be detrimental to both our operations and Hawaii's economy. Prince Resorts Hawaii ("PRHI") opposes the elimination of the capital goods excise credit, which is included in Section 13 (page 41) and Section 21 (page 65) of this bill and repealed by Sections 17 and 26 (pages 67 and 92).

PRHI owns and operates several renowned resorts across the Hawaiian Islands, including the Prince Waikiki in Honolulu and the Mauna Kea Beach Hotel and the Westin Hapuna Beach Resort on the Big Island. Our commitment to maintaining and upgrading our properties has led to several major projects. Currently, Mauna Kea Beach Hotel is undergoing major renovations to enhance its facilities and guest experience, a project that benefits local workers and businesses. These renovations are an investment in the future of our property and the broader community, and the capital goods excise tax credit plays a crucial role in making this possible.

Our company has been a long-time contributor to Hawaii's economy, from generating substantial tax revenue to creating jobs in the hospitality, construction, and service sectors. As a result, we have become deeply integrated into the fabric of the local community. The repeal of the capital goods excise tax credit would create an additional financial burden, making it harder for us to continue reinvesting in these essential upgrades. The credit helps offset some of the financial challenges posed by the state's general excise tax, making it possible for businesses like ours to continue growing and contributing to Hawaii's prosperity.

In a state with such high operational costs and unique tax structures, eliminating the capital goods excise tax credit would have far-reaching consequences. Without this important incentive, many businesses, including PRHI, would face greater difficulty justifying further investments in Hawaii, potentially stalling growth and job creation.

The tax credit is not just a financial relief for businesses; it also benefits the broader community by encouraging continued investment, ensuring more revenue for the state, and promoting the creation of well-paying local jobs. With our industry facing ongoing challenges, including uncertainties in global travel and tourism, now is not the time to remove a crucial support like this tax credit.

We respectfully ask that the Committee reconsider the removal of the capital goods excise tax credit in HB 1369, H.D.1. Maintaining this credit will provide stability for businesses and support the ongoing economic vitality of Hawaii.

Thank you for your time and consideration.

Sincerely,

Shigeki Yamane, President
Prince Resorts Hawaii

LŌKAHI FEDERAL CREDIT UNION

LATE

Testimony to the Senate Committee on Ways & Means
Thursday, April 3, 2025
Conference Room 211

Testimony in Opposition to HB 1369 HD1, Relating to Taxation

To: The Honorable Donovan DelaCruz, Chair
The Honorable Sharon Moriwaki, Vice Chair
Members of the Committee

My name is Scott Kaulukukui, President & CEO of Lōkahi Federal Credit Union, formally know as Hickam Federal Credit Union. I am submitting my opposition to HB 1369 HD1, Relating to Taxation. This bill repeals certain credits, deductions, and exemptions under the income tax, general excise tax, and use tax laws. More specifically, pages 29-30, lines 16-21 & 1-2 of the bill would repeal the current general excise tax exemption for credit unions.

Unlike banks that have public stockholders, Lōkahi Federal Credit Union is a not-for-profit financial cooperative where each of our 48,000 members' account represents ownership in the credit union. As with all other credit unions, all income that Lōkahi Federal Credit Union generates after operating expenses and federally-mandated reserves, is returned to our member-owners, in the form of higher yields on depository accounts, lowers rates on loans, and lower fees on financial services.

Repealing the current general excise tax exemption for credit union will increase our costs and cause us to re-strategize how we assist those in our community who need financial help.

Thank you for the opportunity to submit testimony on this bill.