
A BILL FOR AN ACT

RELATING TO AVIATION FUEL TAXES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the airline industry
2 is vital to the economy of the State of Hawaii, and that the
3 airline industry is facing serious challenges, with many major
4 air carriers operating in bankruptcy or struggling to avoid
5 bankruptcy. Fuel costs in particular have increased
6 dramatically in recent years, creating real difficulty for many
7 airlines. To the extent that the Hawaii general excise and use
8 taxes and fuel tax are applicable to aviation fuel, these taxes
9 exacerbate the problems caused by soaring fuel prices. There is
10 already a partial exemption from these taxes, covering fuel
11 purchased in a foreign trade zone and used in interstate air
12 transportation. Under applicable federal definitions,
13 "interstate air transportation" includes interisland flights,
14 but tying the exemption to the foreign trade zone does not
15 afford the exemption to aviation fuel purchased on the neighbor
16 islands.

17 The purposes of this Act are to:



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- 1 (1) Expand the scope of an already existing exemption from
2 general excise and use tax and fuel tax for aviation
3 fuel used in interstate air transportation, as defined
4 under federal law; and
- 5 (2) Provide relief and to prevent harm to Hawaii's visitor
6 industry and overall economy which could be caused by
7 any tax that increases the cost of air transportation
8 between the Hawaiian islands or to or from Hawaii.

9 SECTION 2. Chapter 231, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 §231- Exemption from taxes. (a) Notwithstanding any law
13 to the contrary, use of aviation fuel by, or sales of aviation
14 fuel made directly to, any common carrier, or both, for
15 consumption or use by aircraft in interstate or foreign
16 commerce, shall be exempt from those taxes imposed under
17 chapters 237, 238 and 243. For purposes of this section, the
18 term "interstate or foreign commerce" includes but is not
19 limited to transactions or activities that constitute
20 "interstate air commerce" or "foreign air commerce" as defined
21 in 49 U.S.C. 40102.



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1 (b) If a flight constitutes "interstate air commerce" or
2 "foreign air commerce" as defined in 49 U.S.C. 40102, no portion
3 of any aviation fuel used for such flight, nor any portion of
4 the proceeds of sale thereof, shall be subject to the taxes
5 imposed under chapters 237, 238, and 243, notwithstanding the
6 fact that some portion of the fuel may be consumed while the
7 aircraft is within the geographical limits of the State of
8 Hawaii.

9 SECTION 2. New statutory material is underscored.

10 SECTION 3. This Act shall take effect upon its approval.



Report Title:

Aviation Fuel Tax

Description:

Exempts aviation fuel from excise, use, and fuel taxes under certain circumstances. (HB2746 HD1)

