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# 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 inter-island  
2 airline industry is vital to the State's economy, 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.

8           To the extent that the Hawaii general excise and use taxes  
9 are applicable to aviation fuel, these taxes exacerbate the  
10 problems caused by soaring fuel prices.

11           The purpose of this Act is to exempt from the general  
12 excise and use tax, aviation fuel purchased or used for inter-  
13 island and intra-island air transportation by common carriers.

14           SECTION 2. Chapter 238, Hawaii Revised Statutes, is  
15 amended by adding a new section to be appropriately designated  
16 and to read as follows:

17           "§238-       Imposition of tax on aviation fuel; exemptions.

18           There shall be exempt from the measure of taxes imposed under



1 this chapter the use of, and amounts received for the sale of,  
2 aviation fuel used by a common carrier for inter-island or  
3 intra-island air transportation in this state."

4 SECTION 3. Section 237-24, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 **§237-24 Amounts not taxable.** This chapter shall not apply  
7 to the following amounts:

- 8 (1) Amounts received under life insurance policies and  
9 contracts paid by reason of the death of the insured;
- 10 (2) Amounts received (other than amounts paid by reason of  
11 death of the insured) under life insurance, endowment,  
12 or annuity contracts, either during the term or at  
13 maturity or upon surrender of the contract;
- 14 (3) Amounts received under any accident insurance or  
15 health insurance policy or contract or under workers'  
16 compensation acts or employers' liability acts, as  
17 compensation for personal injuries, death, or  
18 sickness, including also the amount of any damages or  
19 other compensation received, whether as a result of  
20 action or by private agreement between the parties on  
21 account of the personal injuries, death, or sickness;



- 1           (4) The value of all property of every kind and sort  
2           acquired by gift, bequest, or devise, and the value of  
3           all property acquired by descent or inheritance;
- 4           (5) Amounts received by any person as compensatory damages  
5           for any tort injury to the person, or to the person's  
6           character reputation, or received as compensatory  
7           damages for any tort injury to or destruction of  
8           property, whether as the result of action or by  
9           private agreement between the parties (provided that  
10          amounts received as punitive damages for tort injury  
11          or breach of contract injury shall be included in  
12          gross income);
- 13          (6) Amounts received as salaries or wages for services  
14          rendered by an employee to an employer;
- 15          (7) Amounts received as alimony and other similar payments  
16          and settlements;
- 17          (8) Amounts collected by distributors as fuel taxes on  
18          "liquid fuel" imposed by chapter 243, and the amounts  
19          collected by such distributors as a fuel tax imposed  
20          by any Act of the Congress of the United States;
- 21          (9) Taxes on liquor imposed by chapter 244D on dealers  
22          holding permits under that chapter;



- 1           (10) The amounts of taxes on cigarettes and tobacco  
2                   products imposed by chapter 245 on wholesalers or  
3                   dealers holding licenses under that chapter and  
4                   selling the products at wholesale;
- 5           (11) Federal excise taxes imposed on articles sold at  
6                   retail and collected from the purchasers thereof and  
7                   paid to the federal government by the retailer;
- 8           (12) The amounts of federal taxes under chapter 37 of the  
9                   Internal Revenue Code, or similar federal taxes,  
10                  imposed on sugar manufactured in the State, paid by  
11                  the manufacturer to the federal government;
- 12          (13) An amount up to, but not in excess of, \$2,000 a year  
13                  of gross income received by any blind, deaf, or  
14                  totally disabled person engaging, or continuing, in  
15                  any business, trade, activity, occupation, or calling  
16                  within the State; a corporation all of whose  
17                  outstanding shares are owned by an individual or  
18                  individuals who are blind, deaf, or totally disabled;  
19                  a general, limited, or limited liability partnership,  
20                  all of whose partners are blind, deaf, or totally  
21                  disabled; or a limited liability company, all of whose  
22                  members are blind, deaf, or totally disabled;



1 (14) Amounts received by a producer of sugarcane from the  
2 manufacturer to whom the producer sells the sugarcane,  
3 where:

4 (A) The producer is an independent cane farmer, so  
5 classed by the Secretary of Agriculture under the  
6 Sugar Act of 1948 (61 Stat. 922, Chapter 519) as  
7 the Act may be amended or supplemented;

8 (B) The value or gross proceeds of sale of the sugar,  
9 and other products manufactured from the  
10 sugarcane, is included in the measure of the tax  
11 levied on the manufacturer under section 237-  
12 13(1) or (2);

13 (C) The producer's gross proceeds of sales are  
14 dependent upon the actual value of the products  
15 manufactured therefrom or the average value of  
16 all similar products manufactured by the  
17 manufacturer; and

18 (D) The producer's gross proceeds of sales are  
19 reduced by reason of the tax on the value or sale  
20 of the manufactured products;



- 1       (15) Money paid by the State or eleemosynary child-placing  
2           organizations to foster parents for their care of  
3           children in foster homes; [~~and~~]
- 4       (16) Amounts received by a cooperative housing corporation  
5           from its shareholders in reimbursement of funds paid  
6           by such corporation for lease rental, real property  
7           taxes, and other expenses of operating and maintaining  
8           the cooperative land and improvements; provided that  
9           such a cooperative corporation is a corporation:
- 10       (A) Having one and only one class of stock  
11           outstanding;
- 12       (B) Each of the stockholders of which is entitled  
13           solely by reason of the stockholder's ownership  
14           of stock in the corporation, to occupy for  
15           dwelling purposes a house, or an apartment in a  
16           building owned or leased by the corporation; and
- 17       (C) No stockholder of which is entitled (either  
18           conditionally or unconditionally) to receive any  
19           distribution not out of earnings and profits of  
20           the corporation except in a complete or partial  
21           liquidation of the corporation[~~-~~]; and



1        (17) Amounts received for the sale of aviation fuel used by  
2                a common carrier for inter-island or intra-island air  
3                transportation in this state."

4                SECTION 4. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6                SECTION 5. This Act shall take effect on July 1, 2020, and  
7 shall be repealed on June 30, 2008.



HB 2746 HD3

**Report Title:**

Aviation Fuel Tax

**Description:**

Exempts aviation fuel from excise, use, and fuel taxes under certain circumstances. (HB2746 HD3)

HB2746 HD3 HMS 2006-2556

