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# A BILL FOR AN ACT

RELATING TO VEHICULAR EMISSIONS.

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

1           SECTION 1. Hawaii depends on imported petroleum for one  
2 hundred per cent of its transportation energy needs, leaving the  
3 State extremely vulnerable to an oil embargo, supply disruption,  
4 or other energy emergency. Hawaii's energy security can be  
5 increased by diversifying Hawaii's transportation fuel needs so  
6 that the State will be more reliant on alternative and renewable  
7 fuels and vehicles.

8           Your Committees find that imposing an additional tax on  
9 vehicles that weigh more, and proportionally consume more  
10 petroleum fuel, will benefit all citizens of Hawaii and address  
11 energy security problems that adversely affect the State.

12           The purpose of this Act is to:

13           (1) Increase the state vehicle excise tax on passenger  
14 cars and pickup trucks weighing more than four  
15 thousand pounds net weight up to and including ten  
16 thousand pounds net weight;

17           (2) Allocate additional excise taxes received on each  
18 passenger car or pickup truck weighing over four



1 thousand pounds net weight into a clean vehicle fund  
2 that will be made available as a rebate on clean fuel  
3 vehicles purchased in the State;

4 (3) Require the director of finance to develop and  
5 implement a plan to distribute the proceeds from the  
6 clean vehicle fund by December 31, 2007;

7 (4) Exempt the purchase of clean fuel vehicles and  
8 electric vehicles from the state excise tax;

9 (5) Define the term "clean fuel; and

10 (6) Establish guidelines and objectives in the Hawaii  
11 State Planning Act for renewable energy and fuels.

12 SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
13 amended by adding a new section to be appropriately designated  
14 and to read follows:

15 "§237- Clean fuel. (a) In addition to the tax levied  
16 in section 237-13(2) (A), there shall be an additional tax levied  
17 on the gross proceeds of sales of passenger cars and pickup  
18 trucks as follows; provided that insofar as the sale of tangible  
19 personal property is at wholesale under section 237-4(a) (8) (B),  
20 the sale shall be subject to section 237-13.3. Upon every sale  
21 of a passenger car or pickup truck:



1       (1) Weighing over four thousand pounds net weight, up to  
2       and including five thousand pounds net weight, there  
3       shall be levied a tax equivalent to one per cent of  
4       the gross proceeds of sales; and

5       (2) Weighing over five thousand pounds net weight, up to  
6       and including ten thousand pounds net weight, there  
7       shall be levied a tax equivalent to two per cent of  
8       the gross proceeds of sales;

9       provided that this section shall not apply to a passenger car or  
10      pickup truck that is used solely for commercial or agricultural  
11      purposes.

12       (b) The tax shall be collected and deposited into a clean  
13      vehicle fund that shall be used to provide rebates on vehicles  
14      that operate on clean fuel. The director of finance is  
15      authorized and shall develop and implement a plan to distribute  
16      the proceeds from the clean vehicle fund by December 31, 2007.

17       (c) For the purposes of this section:

18       (1) "Clean fuel" means:

19           (A) Natural gas;

20           (B) Liquefied natural gas;

21           (C) Liquefied petroleum gas;

22           (D) Hydrogen;



1           (E) Electricity or hybrid driven; or  
2           (F) Any other fuel at least eighty-five per cent of  
3           which consists of one or more of the following:  
4           methanol, ethanol, any other alcohol, or ether.

5           (2) "Passenger car" shall have the same meaning as under  
6           section 286-2.

7           (3) "Pickup truck" shall have the same meaning as under  
8           section 291-14.

9           (d) The department shall adopt rules under chapter 91 to  
10          implement this section, which shall include criteria to  
11          determine what vehicles qualify as commercial or agricultural  
12          vehicles."

13           SECTION 3. Section 226-18, Hawaii Revised Statutes, is  
14          amended by amending subsection (c) to read as follows:

15           "(c) To further achieve the energy objectives, it shall be  
16          the policy of this State to:

17           (1) Support research and development as well as promote  
18           the use of renewable energy sources;

19           (2) Ensure that the combination of energy supplies and  
20           energy-saving systems is sufficient to support the  
21           demands of growth;

- 1 (3) Base decisions of least-cost supply-side and demand-  
2 side energy resource options on a comparison of their  
3 total costs and benefits when a least-cost is  
4 determined by a reasonably comprehensive,  
5 quantitative, and qualitative accounting of their  
6 long-term, direct and indirect economic,  
7 environmental, social, cultural, and public health  
8 costs and benefits;
- 9 (4) Promote all cost-effective conservation of power and  
10 fuel supplies through measures including:
- 11 (A) Development of cost-effective demand-side  
12 management programs;
- 13 (B) Education; and
- 14 (C) Adoption of energy-efficient practices and  
15 technologies;
- 16 (5) Ensure, to the extent that new supply-side resources  
17 are needed, the development or expansion of energy  
18 systems [~~utilizes~~] that utilize a diverse assortment  
19 of the least-cost energy supply [option] options and  
20 resources and [~~maximizes~~] maximize efficient  
21 technologies;



- 1           (6) Support research, development, and demonstration of
- 2           energy efficiency, load management, and other demand-
- 3           side management programs, practices, and technologies;
- 4           (7) Promote alternate fuels and energy efficiency by
- 5           encouraging diversification of transportation fuels,
- 6           modes, and infrastructure;
- 7           (8) Support actions that reduce, avoid, or sequester
- 8           greenhouse gases in utility, transportation, and
- 9           industrial sector applications; [~~and~~]
- 10          (9) Support actions that reduce, avoid, or sequester
- 11          Hawaii's greenhouse gas emissions through agriculture
- 12          and forestry initiatives[~~-~~]; and
- 13          (10) Support a renewable fuels standard of ten per cent of
- 14          highway fuel demand to be provided by renewable fuels
- 15          by 2010, fifteen per cent by 2015, and twenty per cent
- 16          by 2020. "Renewable fuels" include:
- 17          (A) Ethanol, with each gallon of ethanol produced
- 18          from cellulosic materials considered the
- 19          equivalent of 2.5 gallons of noncellulosic
- 20          ethanol;
- 21          (B) Biodiesel; and



1           (C) Hydrogen or other liquid or gaseous fuels  
 2                   produced either from renewable feedstocks,  
 3                   including organic wastes, or from water, using  
 4                   electricity from renewable energy sources."

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

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

9           (1) Amounts received under life insurance policies and  
 10                   contracts paid by reason of the death of the insured;

11           (2) Amounts received (other than amounts paid by reason of  
 12                   death of the insured) under life insurance, endowment,  
 13                   or annuity contracts, either during the term or at  
 14                   maturity or upon surrender of the contract;

15           (3) Amounts received under any accident insurance or  
 16                   health insurance policy or contract or under workers'  
 17                   compensation acts or employers' liability acts, as  
 18                   compensation for personal injuries, death, or  
 19                   sickness, including also the amount of any damages or  
 20                   other compensation received, whether as a result of  
 21                   action or by private agreement between the parties on  
 22                   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[7] and the value
- 3                   of 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[7] and the
- 19                   amounts collected by such distributors as a fuel tax
- 20                   imposed by any Act of the Congress of the United
- 21                   States;



- 1           (9) Taxes on liquor imposed by chapter 244D on dealers  
2           holding permits under that chapter;
- 3           (10) The amounts of taxes on cigarettes and tobacco  
4           products imposed by chapter 245 on wholesalers or  
5           dealers holding licenses under that chapter and  
6           selling the products at wholesale;
- 7           (11) Federal excise taxes imposed on articles sold at  
8           retail and collected from the purchasers thereof and  
9           paid to the federal government by the retailer;
- 10          (12) The amounts of federal taxes under chapter 37 of the  
11          Internal Revenue Code, or similar federal taxes,  
12          imposed on sugar manufactured in the State, paid by  
13          the manufacturer to the federal government;
- 14          (13) An amount up to, but not in excess of, \$2,000 a year  
15          of gross income received by: any blind, deaf, or  
16          totally disabled person engaging, or continuing, in  
17          any business, trade, activity, occupation, or calling  
18          within the State; a corporation all of whose  
19          outstanding shares are owned by an individual or  
20          individuals who are blind, deaf, or totally disabled;  
21          a general, limited, or limited liability partnership,  
22          all of whose partners are blind, deaf, or totally



1 disabled; or a limited liability company, all of whose  
2 members are blind, deaf, or totally disabled;

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

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

10 (B) The value or gross proceeds of sale of the sugar,  
11 and other products manufactured from the  
12 sugarcane, is included in the measure of the tax  
13 levied on the manufacturer under section 237-  
14 13(1) or (2);

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

20 (D) The producer's gross proceeds of sales are  
21 reduced by reason of the tax on the value or sale  
22 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[~~r~~] 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[~~r~~]; and



1        (17) Amounts received from the sale of a passenger car (as  
2        that term is defined in section 286-2) or a pickup  
3        truck (as that term is defined in section 291-14)  
4        that:  
5        (A) Are operated by "clean fuel" as that term is  
6        defined in section 237- ; and  
7        (B) Obtains at least forty miles per gallon for a  
8        passenger car or at least thirty miles per gallon  
9        for a pickup truck based upon federal  
10       Environmental Protection Agency combined  
11       ratings."

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

14       SECTION 6. This Act shall take effect upon its approval;  
15 provided that sections 2 and 4 shall apply to taxable years  
16 beginning after December 31, 2005.

SB 3183 SD1  
HD1

**Report Title:**

Renewable Energy and Fuels; Hawaii State Planning Act; Tax Incentives

**Description:**

Provides tax incentives for the purchase of clean fuel motor vehicles and penalizes less efficiently fueled motor vehicles. Also establishes guidelines and objectives in the Hawaii State Planning Act for renewable energy and fuels. (SB3183 HD1)

