
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 237-24, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§237-24 Amounts not taxable.** This chapter shall not
4 apply to the following amounts:

- 5 (1) Amounts received under life insurance policies and
6 contracts paid by reason of the death of the insured;
- 7 (2) Amounts received (other than amounts paid by reason of
8 death of the insured) under life insurance, endowment,
9 or annuity contracts, either during the term or at
10 maturity or upon surrender of the contract;
- 11 (3) Amounts received under any accident insurance or
12 health insurance policy or contract or under workers'
13 compensation acts or employers' liability acts, as
14 compensation for personal injuries, death, or
15 sickness, including also the amount of any damages or
16 other compensation received, whether as a result of
17 action or by private agreement between the parties on
18 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]:
- 18 (A) Distributors as fuel taxes on "liquid fuel"
19 imposed by chapter 243~~[, and the amounts~~
20 ~~collected by such distributors]~~;
- 21 (B) Distributors as a fuel tax imposed by any Act of
22 the Congress of the United States; and



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



1 a general, limited, or limited liability partnership,
2 all of whose partners are blind, deaf, or totally
3 disabled; or a limited liability company, all of whose
4 members are blind, deaf, or totally disabled;

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

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

12 (B) The value or gross proceeds of sale of the sugar,
13 and other products manufactured from the
14 sugarcane, is included in the measure of the tax
15 levied on the manufacturer under section 237-
16 13(1) or (2);

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



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

4 (15) Money paid by the State or eleemosynary child-placing
5 organizations to foster parents for their care of
6 children in foster homes; and

7 (16) Amounts received by a cooperative housing corporation
8 from its shareholders in reimbursement of funds paid
9 by such corporation for lease rental, real property
10 taxes, and other expenses of operating and maintaining
11 the cooperative land and improvements; provided that
12 such a cooperative corporation is a corporation:

13 (A) Having one and only one class of stock
14 outstanding;

15 (B) Each of the stockholders of which is entitled
16 solely by reason of the stockholder's ownership
17 of stock in the corporation, to occupy for
18 dwelling purposes a house, or an apartment in a
19 building owned or leased by the corporation; and

20 (C) No stockholder of which is entitled (either
21 conditionally or unconditionally) to receive any
22 distribution not out of earnings and profits of



1 the corporation except in a complete or partial
2 liquidation of the corporation."

3 SECTION 2. Section 243-4, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§243-4 License taxes.** (a) Every distributor [~~shall~~], in
6 addition to any other taxes provided by law, shall pay a license
7 tax to the department of taxation for each gallon of liquid fuel
8 refined, manufactured, produced, or compounded by the
9 distributor and sold or used by the distributor in the State or
10 imported by the distributor, or acquired by the distributor from
11 persons who are not licensed distributors, and sold or used by
12 the distributor in the State. Any person who sells or uses any
13 liquid fuel knowing that the distributor from whom it was
14 originally purchased has not paid and is not paying the tax
15 thereon shall pay such tax as would have applied to such sale or
16 use by the distributor. The rates of tax hereby imposed are as
17 follows:

- 18 (1) For each gallon of diesel oil[~~7~~] not used for motor
19 vehicles, 1 cent; and
- 20 (2) For each gallon of gasoline or other aviation fuel
21 sold for use in or used for airplanes, 1 cent[~~7~~].



1 ~~[(3) For each gallon of liquid fuel other than fuel~~
2 ~~mentioned in paragraphs (1) and (2), and other than an~~
3 ~~alternative fuel, sold or used in the city and county~~
4 ~~of Honolulu, or sold in any county for ultimate use in~~
5 ~~the city and county of Honolulu, 16 cents state tax,~~
6 ~~and in addition thereto such amount, to be known as~~
7 ~~the "city and county of Honolulu fuel tax", as shall~~
8 ~~be levied pursuant to section 243-5;~~

9 ~~(4) For each gallon of liquid fuel other than fuel~~
10 ~~mentioned in paragraphs (1) and (2), and other than an~~
11 ~~alternative fuel, sold or used in the county of~~
12 ~~Hawaii, or sold in any county for ultimate use in the~~
13 ~~county of Hawaii, 16 cents state tax, and in addition~~
14 ~~thereto such amount, to be known as the "county of~~
15 ~~Hawaii fuel tax", as shall be levied pursuant to~~
16 ~~section 243-5;~~

17 ~~(5) For each gallon of liquid fuel other than fuel~~
18 ~~mentioned in paragraphs (1) and (2), and other than an~~
19 ~~alternative fuel, sold or used in the county of Maui,~~
20 ~~or sold in any county for ultimate use in the county~~
21 ~~of Maui, 16 cents state tax, and in addition thereto~~
22 ~~such amount, to be known as the "county of Maui fuel~~



1 ~~tax", as shall be levied pursuant to section 243-5;~~
2 ~~and~~
3 ~~(6) For each gallon of liquid fuel other than fuel~~
4 ~~mentioned in paragraphs (1) and (2), and other than an~~
5 ~~alternative fuel, sold or used in the county of Kauai,~~
6 ~~or sold in any county for ultimate use in the county~~
7 ~~of Kauai, 16 cents state tax, and in addition thereto~~
8 ~~such amount, to be known as the "county of Kauai fuel~~
9 ~~tax", as shall be levied pursuant to section 243-5.]~~

10 If it is shown to the satisfaction of the department, based
11 upon proper records and from such other evidence as the
12 department may require, that liquid fuel other than fuel
13 mentioned in paragraphs (1) and (2) is used for agricultural
14 equipment that does not operate upon the public highways of the
15 State, the user thereof may obtain a refund of all taxes thereon
16 imposed by this section in excess of 1 cent per gallon. The
17 department shall adopt rules to administer such refunds.

18 ~~[(b) Every distributor of diesel oil, in addition to the~~
19 ~~tax required by subsection (a), shall pay a license tax to the~~
20 ~~department for each gallon of such diesel oil sold or used by~~
21 ~~the distributor for operating a motor vehicle or motor vehicles~~



1 ~~upon public highways of the State. The rates of the additional~~
2 ~~tax hereby imposed are as follows:~~

3 ~~(1) For each gallon of diesel oil sold or used in the city~~
4 ~~and county of Honolulu, or sold in any other county~~
5 ~~for ultimate use in the city and county of Honolulu,~~
6 ~~15 cents state tax, and in addition thereto such~~
7 ~~amount, to be known as the "city and county of~~
8 ~~Honolulu fuel tax", as shall be levied pursuant to~~
9 ~~section 243-5;~~

10 ~~(2) For each gallon of diesel oil sold or used in the~~
11 ~~county of Hawaii, or sold in any other county for~~
12 ~~ultimate use in the county of Hawaii, 15 cents state~~
13 ~~tax, and in addition thereto such amount, to be known~~
14 ~~as the "county of Hawaii fuel tax", as shall be levied~~
15 ~~pursuant to section 243-5;~~

16 ~~(3) For each gallon of diesel oil sold or used in the~~
17 ~~county of Maui, or sold in any other county for~~
18 ~~ultimate use in the county of Maui, 15 cents state~~
19 ~~tax, and in addition thereto such amount, to be known~~
20 ~~as the "county of Maui fuel tax", as shall be levied~~
21 ~~pursuant to section 243-5; and~~



1 ~~(4) For each gallon of diesel oil sold or used in the~~
2 ~~county of Kauai, or sold in any other county for~~
3 ~~ultimate use in the county of Kauai, 15 cents state~~
4 ~~tax, and in addition thereto such amount, to be known~~
5 ~~as the "county of Kauai fuel tax", as shall be levied~~
6 ~~pursuant to section 243-5.~~

7 ~~If any user of diesel oil furnishes a certificate, in such~~
8 ~~form as the department shall prescribe, to the distributor, or~~
9 ~~the distributor who uses diesel oil signs such certificate,~~
10 ~~certifying that the diesel oil is for use in operating a motor~~
11 ~~vehicle or motor vehicles in areas other than upon the public~~
12 ~~highways of the State, the tax as provided in paragraphs (1) to~~
13 ~~(4) shall not be applicable. In the event a certificate is not~~
14 ~~or cannot be furnished and the diesel oil is in fact for use for~~
15 ~~operating a motor vehicle or motor vehicles in areas other than~~
16 ~~upon public highways of the State, the user thereof may obtain a~~
17 ~~refund of all taxes thereon imposed by the foregoing paragraphs.~~
18 ~~The department shall adopt rules to administer the refunding of~~
19 ~~such taxes.]~~

20 ~~(e)~~ (b) The tax shall not be collected in respect to any
21 benzol, benzene, toluol, xylol, or alternative fuel sold for use
22 other than for operating internal combustion engines. With



1 respect to these products, other than alternative fuels, the
2 department by rule shall provide for the reporting and payment
3 of the tax and for the keeping of records in respect thereto, in
4 such manner as to collect, for each gallon of such product sold
5 for use in internal combustion engines for the generation of
6 power, or so used, the same tax or taxes as apply to each gallon
7 of diesel oil. With respect to alternative fuels, the only tax
8 collected shall be that provided in paragraphs (1), (2), and (3)
9 of this subsection. This subsection shall not apply to aviation
10 fuel sold for use in or used for airplanes.

11 (1) Every distributor of any alternative fuel for
12 operation of an internal combustion engine shall pay a
13 license tax to the department of one-quarter of one
14 cent for each gallon of such alternative fuel sold or
15 used by the distributor;

16 (2) Every distributor, in addition to the tax required
17 under paragraph (1) of this subsection, shall pay a
18 license tax to the department for each gallon of
19 alternative fuel sold or used by the distributor for
20 operating a motor vehicle or motor vehicles upon the
21 public highways of the State at a rate proportional to
22 that of the rates applicable to diesel oil in



1 subsection (b), rounded to the nearest one-tenth of a
2 cent, as follows:

- 3 (A) Ethanol, 0.145 times the rate for diesel;
4 (B) Methanol, 0.11 times the rate for diesel;
5 (C) Biodiesel, 0.25 times the rate for diesel;
6 (D) Liquefied petroleum gas, 0.33 times the rate for
7 diesel; and
8 (E) For other alternative fuels, the rate shall be
9 based on the energy content of the fuels as
10 compared to diesel fuel, using a lower heating
11 value of one hundred thirty thousand British
12 thermal units per gallon as a standard for
13 diesel, so that the tax rate, on an energy
14 content basis, is equal to one-quarter the rate
15 for diesel fuel.

16 The taxes so paid shall be paid into the state
17 treasury and deposited in special funds or paid over
18 in the same manner as provided in subsection (b) in
19 respect of the tax on diesel oil;

- 20 (3) If any user of alternative fuel furnishes to the
21 distributor a certificate, in such form as the
22 department shall prescribe, or the distributor who



1 uses alternative fuel signs such certificate,
 2 certifying that the alternative fuel is for use in
 3 operating a motor vehicle or motor vehicles in areas
 4 other than upon the public highways of the State, the
 5 tax as provided by paragraphs (1) and (2) of this
 6 subsection shall not be applicable; provided that no
 7 certificate shall be required if the alternative fuel
 8 is used for fuel and heating purposes in the home. In
 9 the event a certificate is not or cannot be furnished
 10 and the alternative fuel is in fact used for operating
 11 an internal combustion engine or operating a motor
 12 vehicle or motor vehicles in areas other than upon the
 13 public highways of the State, the user thereof may
 14 obtain a refund of all taxes thereon imposed by such
 15 paragraphs. The department shall adopt rules to
 16 administer the refunding of such taxes imposed.

17 [~~(d)~~] (c) No tax shall be collected in respect to any
 18 liquid fuel, including diesel oil and liquefied petroleum gas,
 19 shown to the satisfaction of the department to have been sold
 20 for use in and actually delivered to, or sold in, the county of
 21 Kalawao."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect on July 1, 2006 and
4 shall be repealed on June 30, 2008; provided that sections
5 237-24 and 243-4, Hawaii Revised Statutes, shall be reenacted in
6 the form in which they read on the day before the approval of
7 this Act.

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JAN 19 2006



H.B. NO. 1944

Report Title:

General Excise Tax; Fuel Tax; Gasoline; Motor Vehicles

Description:

Suspends for two years, the assessment and collection of the state general excise tax and state fuel tax on gasoline and diesel fuel used for motor vehicles.

