
A BILL FOR AN ACT

RELATING TO TAXATION.

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 State's economy, and that the airline industry is
3 facing serious challenges, with many major air carriers
4 operating in bankruptcy or struggling to avoid bankruptcy. Fuel
5 costs in particular have increased dramatically in recent years,
6 creating a real financial difficulty for many airlines.

7 To the extent that the Hawaii general excise tax, use, and
8 fuel taxes apply to aviation fuel, these taxes only exacerbate
9 the problems caused by soaring fuel prices.

10 Sales of fuel sold from a foreign trade zone for use by
11 common carrier airlines in interstate commerce are exempt from
12 general excise and use taxes.

13 The purpose of this Act is to exempt fuel sold to common
14 carriers for use in inter-island and intra-island transportation
15 from general excise and use taxes.

16 SECTION 2. Section 212-8, Hawaii Revised Statutes, is
17 amended to read as follows:



1 **§212-8 Exemption from taxes.** (a) Notwithstanding any law
2 to the contrary, sales of all products which are categorized as
3 privileged foreign merchandise, nonprivileged foreign
4 merchandise, domestic merchandise, or zone-restricted
5 merchandise, and which are admitted into a foreign-trade zone,
6 as more specifically set forth in the Act of Congress, and any
7 rules and regulations promulgated thereunder, made directly to
8 any common carrier in interstate or foreign commerce, or both,
9 whether ocean-going or air, for consumption out-of-state by the
10 crew or passengers on the shipper's vessels or airplanes, or for
11 use out-of-state by the vessels or airplanes, shall be exempt
12 from those taxes imposed under chapters 237, 238, 243, 244D, and
13 245.

14 (b) Notwithstanding any law to the contrary, sales of fuel
15 categorized as privileged foreign merchandise, nonprivileged
16 foreign merchandise, domestic merchandise, or zone-restricted
17 merchandise, which is admitted into a foreign-trade zone, as
18 more specifically set forth by Act of Congress and any rules and
19 regulations thereunder, made directly to or used by any common
20 carrier for consumption or use in air transportation, whether
21 interstate, intrastate, or foreign, shall be exempt from taxes
22 imposed under chapters 237 and 238."

1 SECTION 3. This Act shall not be construed to imply that
2 any law prior to the effective date of this Act is inconsistent
3 with this Act.

4 SECTION 4. New statutory material is underscored.

5 SECTION 5. This Act shall take effect on July 1, 2006.



Report Title:

Fuel Tax

Description:

Exempts from GET and use taxes the fuel used in interstate and intrastate air transportation by common carriers. (SD2)

