
A BILL FOR AN ACT

RELATING TO AVIATION FUEL TAX.

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 operating
4 in bankruptcy or struggling to avoid bankruptcy. Fuel costs in
5 particular have increased dramatically in recent years, creating
6 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 The purpose of this Act is to exempt aviation fuel
11 purchased for interstate air transportation from the general
12 excise, use, and fuel taxes.

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

16 "§238- Imposition of tax on aviation fuel; exemption.

17 There shall be exempt from the measure of taxes imposed under
18 this chapter amounts received from the sale of aviation fuel, as



1 defined in section 486J-1, from an entity that operates
2 aircraft, as defined in section 261-1, in interstate air or
3 foreign air commerce, as defined in title 49, U.S.C. section
4 40102; provided that the exemption under this paragraph shall
5 apply only to that amount of aviation fuel used in intransland
6 air transportation or transportation between the State and
7 another state of the United States."

8 SECTION 3. Chapter 243, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§243- Imposition of tax on aviation fuel; exemption.
12 There shall be exempt from the measure of taxes imposed under
13 this chapter amounts received from the sale of aviation fuel, as
14 defined in section 486J-1, from an entity that operates
15 aircraft, as defined in section 261-1, in interstate air or
16 foreign air commerce, as defined in title 49, U.S.C. section
17 40102; provided that the exemption under this paragraph shall
18 apply only to that amount of aviation fuel used in intransland
19 air transportation or transportation between the State and
20 another state of the United States."

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



1 "§237-24 Amounts not taxable. This chapter shall not
2 apply to the following amounts:

- 3 (1) Amounts received under life insurance policies and
4 contracts paid by reason of the death of the insured;
- 5 (2) Amounts received (other than amounts paid by reason of
6 death of the insured) under life insurance, endowment,
7 or annuity contracts, either during the term or at
8 maturity or upon surrender of the contract;
- 9 (3) Amounts received under any accident insurance or
10 health insurance policy or contract or under workers'
11 compensation acts or employers' liability acts, as
12 compensation for personal injuries, death, or
13 sickness, including also the amount of any damages or
14 other compensation received, whether as a result of
15 action or by private agreement between the parties on
16 account of the personal injuries, death, or sickness;
- 17 (4) The value of all property of every kind and sort
18 acquired by gift, bequest, or devise, and the value of
19 all property acquired by descent or inheritance;
- 20 (5) Amounts received by any person as compensatory damages
21 for any tort injury to the person, or to the person's
22 character reputation, or received as compensatory



1 damages for any tort injury to or destruction of
2 property, whether as the result of action or by
3 private agreement between the parties (provided that
4 amounts received as punitive damages for tort injury
5 or breach of contract injury shall be included in
6 gross income);

7 (6) Amounts received as salaries or wages for services
8 rendered by an employee to an employer;

9 (7) Amounts received as alimony and other similar payments
10 and settlements;

11 (8) Amounts collected by distributors as fuel taxes on
12 "liquid fuel" imposed by chapter 243, and the amounts
13 collected by such distributors as a fuel tax imposed
14 by any Act of the Congress of the United States;

15 (9) Taxes on liquor imposed by chapter 244D on dealers
16 holding permits under that chapter;

17 (10) The amounts of taxes on cigarettes and tobacco
18 products imposed by chapter 245 on wholesalers or
19 dealers holding licenses under that chapter and
20 selling the products at wholesale;



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



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

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

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

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

18 (15) Money paid by the State or eleemosynary child-placing
19 organizations to foster parents for their care of
20 children in foster homes; [and]

21 (16) Amounts received by a cooperative housing corporation
22 from its shareholders in reimbursement of funds paid

1 by such corporation for lease rental, real property
2 taxes, and other expenses of operating and maintaining
3 the cooperative land and improvements; provided that
4 such a cooperative corporation is a corporation:

5 (A) Having one and only one class of stock
6 outstanding;

7 (B) Each of the stockholders of which is entitled
8 solely by reason of the stockholder's ownership
9 of stock in the corporation, to occupy for
10 dwelling purposes a house, or an apartment in a
11 building owned or leased by the corporation; and

12 (C) No stockholder of which is entitled (either
13 conditionally or unconditionally) to receive any
14 distribution not out of earnings and profits of
15 the corporation except in a complete or partial
16 liquidation of the corporation[-]; and

17 (17) Amounts received from the sale of aviation fuel, as
18 defined in section 486J-1, from an entity that
19 operates aircraft, as defined in section 261-1, in
20 interstate air or foreign air commerce, as defined in
21 title 49, U.S.C. section 40102; provided that the
22 exemption under this paragraph shall apply only to



1 that amount of aviation fuel used in intra-island air
2 transportation or transportation between the State and
3 the mainland."

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

6 SECTION 6. This Act, upon its approval, shall apply to
7 gross income or gross proceeds received on and after
8 July 1, 2006.

SB2768, SD1

Report Title:

Aviation Fuel Tax

Description:

Exempts from GET, use, and fuel taxes the aviation fuel used in intrastate air transportation and transportation between Hawaii and the mainland. (SD1)

