
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 inter-island
2 airline industry is vital to 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 a real financial
7 difficulty for many airlines.

8 Aviation fuel is taxed under the general excise and use
9 taxes, and an exemption from these taxes would provide
10 significant relief to the airlines; as to the extent that the
11 Hawaii general excise tax and use taxes apply to aviation fuel,
12 these taxes only exacerbate the problems caused by soaring fuel
13 prices.

14 The purpose of this Act is to exempt aviation fuel
15 purchased or used for inter-island and intra-island air
16 transportation by common carriers from the general excise and
17 use tax.



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

4 **§238- Imposition of tax on aviation fuel; exemption.**
5 There shall be exempt from the measure of taxes imposed under
6 this chapter the use of, and amounts received for the sale of,
7 aviation fuel that is used by a common carrier for inter-island
8 or intra-island air transportation in this State."

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

11 **§237-24 Amounts not taxable.** This chapter shall not apply
12 to the following amounts:

- 13 (1) Amounts received under life insurance policies and
14 contracts paid by reason of the death of the insured;
- 15 (2) Amounts received (other than amounts paid by reason of
16 death of the insured) under life insurance, endowment,
17 or annuity contracts, either during the term or at
18 maturity or upon surrender of the contract;
- 19 (3) Amounts received under any accident insurance or
20 health insurance policy or contract or under workers'
21 compensation acts or employers' liability acts, as
22 compensation for personal injuries, death, or



1 sickness, including also the amount of any damages or
2 other compensation received, whether as a result of
3 action or by private agreement between the parties on
4 account of the personal injuries, death, or sickness;

5 (4) The value of all property of every kind and sort
6 acquired by gift, bequest, or devise, and the value of
7 all property acquired by descent or inheritance;

8 (5) Amounts received by any person as compensatory damages
9 for any tort injury to the person, or to the person's
10 character reputation, or received as compensatory
11 damages for any tort injury to or destruction of
12 property, whether as the result of action or by
13 private agreement between the parties (provided that
14 amounts received as punitive damages for tort injury
15 or breach of contract injury shall be included in
16 gross income);

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

19 (7) Amounts received as alimony and other similar payments
20 and settlements;

21 (8) Amounts collected by distributors as fuel taxes on
22 "liquid fuel" imposed by chapter 243, and the amounts



1 collected by such distributors as a fuel tax imposed
2 by any Act of the Congress of the United States;

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
16 237-13(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~~[+]~~; and
3 (17) Amounts received for the sale of aviation fuel that is
4 used by a common carrier for inter-island or intra-
5 island air transportation in this State."

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

8 SECTION 5. This Act, upon its approval, shall apply to
9 gross income or gross proceeds received on and after
10 July 1, 2006.

SB2768, SD2

Report Title:

Aviation Fuel Tax

Description:

Exempts from GET and use taxes the aviation fuel used in inter-island and intra-island air transportation. (SD2)

