

JAN 25 2006

S.B. NO. 3177

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# A BILL FOR AN ACT

RELATING TO CLEAN FUEL.

**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           The legislature finds 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 will 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 three  
15 thousand five hundred pounds net weight up to and  
16 including ten thousand pounds net weight;
- 17           (2) Allocate additional excise taxes received on each  
18 passenger car or pickup truck weighing over three



1 thousand five hundred pounds net weight into a clean  
2 vehicle fund that will be made available as a rebate  
3 on clean fuel 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 clean fuel vehicles and electric vehicles from  
8 the state excise tax; and

9 (5) Define the term "clean fuel".

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

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

19 (1) Upon every sale of a passenger car or pickup truck  
20 weighing over three thousand five hundred pounds net  
21 weight, up to and including four thousand pounds net  
22 weight there is likewise hereby levied, in addition to



1           the tax levied in section 237-13(2)(A), a tax  
2           equivalent to two per cent of the gross proceeds of  
3           sales of the business.

4           (2) Upon every sale of a passenger car or pickup truck  
5           weighing over four thousand pounds net weight, up to  
6           and including five thousand pounds net weight, there  
7           is likewise hereby levied, in addition to the tax  
8           levied in section 237-13(2)(A), a tax equivalent to  
9           three per cent of the gross proceeds of sales of the  
10           business.

11           (3) Upon every sale of a passenger car or pickup truck  
12           weighing over five thousand pounds net weight up to  
13           and including ten thousand pounds net weight, there is  
14           likewise hereby levied, in addition to the tax levied  
15           in section 237-13(2)(A), a tax equivalent to five per  
16           cent of the gross proceeds of sales of the business.

17           (b) The tax levied in subsection (a) that is in addition  
18           to the tax levied in section 237-13(2)(A) shall be collected and  
19           deposited into a clean vehicle fund that shall be made available  
20           as a rebate on vehicles that operate on clean fuel purchases  
21           within the State. The director of finance is authorized and



1 shall develop and implement a plan to distribute the proceeds  
2 from the clean vehicle fund by December 31, 2007.

3 (c) For the purposes of this section:

4 (1) "Clean fuel" means:

5 (A) Natural gas;

6 (B) Liquefied natural gas;

7 (C) Liquefied petroleum gas;

8 (D) Hydrogen;

9 (E) Electricity or hybrid driven; or

10 (F) Any other fuel at least eighty-five per cent of  
11 which is one or more of the following: methanol,  
12 ethanol, any other alcohol, or ether.

13 (2) "Passenger car" shall have the same meaning as that  
14 term is defined under section 286-2.

15 (3) "Pickup truck" shall have the same meaning as that  
16 term is defined under section 291-14.

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

19 **"§237-24 Amounts not taxable.** This chapter shall not  
20 apply to the following amounts:

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



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



- 1 or breach of contract injury shall be included in  
2 gross income);
- 3 (6) Amounts received as salaries or wages for services  
4 rendered by an employee to an employer;
- 5 (7) Amounts received as alimony and other similar payments  
6 and settlements;
- 7 (8) Amounts collected by distributors as fuel taxes on  
8 "liquid fuel" imposed by chapter 243, and the amounts  
9 collected by such distributors as a fuel tax imposed  
10 by any Act of the Congress of the United States;
- 11 (9) Taxes on liquor imposed by chapter 244D on dealers  
12 holding permits under that chapter;
- 13 (10) The amounts of taxes on cigarettes and tobacco  
14 products imposed by chapter 245 on wholesalers or  
15 dealers holding licenses under that chapter and  
16 selling the products at wholesale;
- 17 (11) Federal excise taxes imposed on articles sold at  
18 retail and collected from the purchasers thereof and  
19 paid to the federal government by the retailer;
- 20 (12) The amounts of federal taxes under chapter 37 of the  
21 Internal Revenue Code, or similar federal taxes,



- 1           imposed on sugar manufactured in the State, paid by  
2           the manufacturer to the federal government;
- 3       (13) An amount up to, but not in excess of, \$2,000 a year  
4           of gross income received by any blind, deaf, or  
5           totally disabled person engaging, or continuing, in  
6           any business, trade, activity, occupation, or calling  
7           within the State; a corporation all of whose  
8           outstanding shares are owned by an individual or  
9           individuals who are blind, deaf, or totally disabled;  
10          a general, limited, or limited liability partnership,  
11          all of whose partners are blind, deaf, or totally  
12          disabled; or a limited liability company, all of whose  
13          members are blind, deaf, or totally disabled;
- 14       (14) Amounts received by a producer of sugarcane from the  
15           manufacturer to whom the producer sells the sugarcane,  
16           where:
- 17           (A) The producer is an independent cane farmer, so  
18           classified by the Secretary of Agriculture under the  
19           Sugar Act of 1948 (61 Stat. 922, Chapter 519) as  
20           the Act may be amended or supplemented;
- 21           (B) The value or gross proceeds of sale of the sugar,  
22           and other products manufactured from the



1 sugarcane, is included in the measure of the tax  
2 levied on the manufacturer under section 237-  
3 13(1) or (2);

4 (C) The producer's gross proceeds of sales are  
5 dependent upon the actual value of the products  
6 manufactured therefrom or the average value of  
7 all similar products manufactured by the  
8 manufacturer; and

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

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

15 (16) Amounts received by a cooperative housing corporation  
16 from its shareholders in reimbursement of funds paid  
17 by such corporation for lease rental, real property  
18 taxes, and other expenses of operating and maintaining  
19 the cooperative land and improvements; provided that  
20 such a cooperative corporation is a corporation:

21 (A) Having one and only one class of stock  
22 outstanding;





1 (B) Each of the stockholders of which is entitled  
2 solely by reason of the stockholder's ownership  
3 of stock in the corporation, to occupy for  
4 dwelling purposes a house, or an apartment in a  
5 building owned or leased by the corporation; and

6 (C) No stockholder of which is entitled (either  
7 conditionally or unconditionally) to receive any  
8 distribution not out of earnings and profits of  
9 the corporation except in a complete or partial  
10 liquidation of the corporation[-]; and

11 (17) Amounts received from the sale of a passenger car or  
12 pickup truck that:

13 (A) Is operated by "clean fuel" as that term is  
14 defined in section 237- ; and

15 (B) Obtains at least forty miles per gallon for a  
16 passenger vehicle (passenger car) or at least  
17 thirty miles per gallon for a light truck (pickup  
18 truck) based on federal Environmental Protection  
19 Agency combined ratings; or

20 (C) Is used for commercial or agricultural purposes;  
21 For the purposes of this paragraph, the term  
22 "passenger car" shall have the same meaning as that



1 term is defined under section 286-2, and the term  
 2 "pickup truck" shall have the same meaning as that  
 3 term is defined under section 291-14."

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

6 SECTION 5. This Act shall, take effect upon its approval  
 7 and shall apply to taxable years beginning after December 31,  
 8 2005.

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**Report Title:**

General Excise Tax; Clean Fuel

**SB. NO. 3177**

**Description:**

Provides a tax incentive for the purchase of passenger vehicles or light trucks that operate on clean fuels.

