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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 four  
15 thousand pounds net weight up to and including ten  
16 thousand pounds net weight;

17           (2) Allocate additional excise taxes received on each  
18 passenger car or pickup truck weighing over four



1 thousand pounds net weight into a clean vehicle fund  
2 that will be made available as a rebate on clean fuel  
3 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 at wholesale under section 237-4(a)(8)(B),  
18 the sale shall be subject to section 237-13.3. Upon every sale  
19 of a passenger car or pickup truck:

20 (1) Weighing over four thousand pounds net weight, up to  
21 and including five thousand pounds net weight, there



1 shall be levied a tax equivalent to one per cent of  
2 the gross proceeds of sales; and

3 (2) Weighing over five thousand pounds net weight, up to  
4 and including ten thousand pounds net weight, there  
5 shall be levied a tax equivalent to two per cent of  
6 the gross proceeds of sales;

7 provided that this section shall not apply to a passenger car or  
8 pickup truck that is used solely for commercial or agricultural  
9 purposes.

10 (b) The tax shall be collected and deposited into a clean  
11 vehicle fund that shall be used to provide rebates on vehicles  
12 that operate on clean fuel. The director of finance is  
13 authorized and shall develop and implement a plan to distribute  
14 the proceeds from the clean vehicle fund by December 31, 2007.

15 (c) For the purposes of this section:

16 (1) "Clean fuel" means:

17 (A) Natural gas;

18 (B) Liquefied natural gas;

19 (C) Liquefied petroleum gas;

20 (D) Hydrogen;

21 (E) Electricity or hybrid driven; or



1           (F) Any other fuel at least eighty-five per cent of  
2           which consists of one or more of the following:  
3           methanol, ethanol, any other alcohol, or ether.

4           (2) "Passenger car" shall have the same meaning as under  
5           section 286-2.

6           (3) "Pickup truck" shall have the same meaning as under  
7           section 291-14.

8           (d) The department shall adopt rules under chapter 91 to  
9 implement this section, which shall include criteria to  
10 determine what vehicles qualify as commercial or agricultural  
11 vehicles."

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

14           "**§237-24 Amounts not taxable.** This chapter shall not  
15 apply to the following amounts:

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

18           (2) Amounts received (other than amounts paid by reason of  
19           death of the insured) under life insurance, endowment,  
20           or annuity contracts, either during the term or at  
21           maturity or upon surrender of the contract;



- 1 (3) Amounts received under any accident insurance or  
2 health insurance policy or contract or under workers'  
3 compensation acts or employers' liability acts, as  
4 compensation for personal injuries, death, or  
5 sickness, including also the amount of any damages or  
6 other compensation received, whether as a result of  
7 action or by private agreement between the parties on  
8 account of the personal injuries, death, or sickness;
- 9 (4) The value of all property of every kind and sort  
10 acquired by gift, bequest, or devise, and the value of  
11 all property acquired by descent or inheritance;
- 12 (5) Amounts received by any person as compensatory damages  
13 for any tort injury to the person, or to the person's  
14 character reputation, or received as compensatory  
15 damages for any tort injury to or destruction of  
16 property, whether as the result of action or by  
17 private agreement between the parties [+]; provided  
18 that amounts received as punitive damages for tort  
19 injury or breach of contract injury shall be included  
20 in gross income[+];
- 21 (6) Amounts received as salaries or wages for services  
22 rendered by an employee to an employer;



- 1           (7) Amounts received as alimony and other similar payments  
2                   and settlements;
- 3           (8) Amounts collected by distributors as fuel taxes on  
4                   "liquid fuel" imposed by chapter 243, and the amounts  
5                   collected by such distributors as a fuel tax imposed  
6                   by any Act of the Congress of the United States;
- 7           (9) Taxes on liquor imposed by chapter 244D on dealers  
8                   holding permits under that chapter;
- 9           (10) The amounts of taxes on cigarettes and tobacco  
10                   products imposed by chapter 245 on wholesalers or  
11                   dealers holding licenses under that chapter and  
12                   selling the products at wholesale;
- 13           (11) Federal excise taxes imposed on articles sold at  
14                   retail and collected from the purchasers thereof and  
15                   paid to the federal government by the retailer;
- 16           (12) The amounts of federal taxes under chapter 37 of the  
17                   Internal Revenue Code, or similar federal taxes,  
18                   imposed on sugar manufactured in the State, paid by  
19                   the manufacturer to the federal government;
- 20           (13) An amount up to, but not in excess of, \$2,000 a year  
21                   of gross income received by any blind, deaf, or  
22                   totally disabled person engaging, or continuing, in



1 any business, trade, activity, occupation, or calling  
2 within the State; a corporation all of whose  
3 outstanding shares are owned by an individual or  
4 individuals who are blind, deaf, or totally disabled;  
5 a general, limited, or limited liability partnership,  
6 all of whose partners are blind, deaf, or totally  
7 disabled; or a limited liability company, all of whose  
8 members are blind, deaf, or totally disabled;

9 (14) Amounts received by a producer of sugarcane from the  
10 manufacturer to whom the producer sells the sugarcane,  
11 where:

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

16 (B) The value or gross proceeds of sale of the sugar,  
17 and other products manufactured from the  
18 sugarcane, is included in the measure of the tax  
19 levied on the manufacturer under section  
20 237-13(1) or (2);

21 (C) The producer's gross proceeds of sales are  
22 dependent upon the actual value of the products



1 manufactured therefrom or the average value of  
2 all similar products manufactured by the  
3 manufacturer; and

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

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

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

16 (A) Having one and only one class of stock  
17 outstanding;

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





1 (C) No stockholder of which is entitled [~~+~~]either  
2 conditionally or unconditionally[~~+~~] to receive  
3 any distribution not out of earnings and profits  
4 of the corporation except in a complete or  
5 partial liquidation of the corporation[~~-~~]; and

6 (17) Amounts received from the sale of a passenger car as  
7 that term is defined in section 286-2, or a pickup  
8 truck as that term is defined in section 291-14 that:

9 (A) Is operated by clean fuel as that term is defined  
10 in section 237- ; and

11 (B) Obtains at least forty miles per gallon for a  
12 passenger car or at least thirty miles per gallon  
13 for a pickup truck based on federal Environmental  
14 Protection Agency combined ratings."

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

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



**Report Title:**

General Excise Tax; Clean Fuel

**Description:**

Provides a tax incentive for the purchase of a passenger car or pickup truck that operates on clean fuels. (SD1)

