

Honolulu, Hawaii

Feb 17, 2006

RE: H.B. No. 2746
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 2746, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO AVIATION FUEL TAXES,"

begs leave to report as follows:

The purpose of this bill is to assist the airline industry by exempting aviation fuel from the general excise, use, and fuel taxes, under certain circumstances.

Aloha Airlines and Hawaiian Airlines testified in support of this bill. The Department of Transportation opposed this measure. The Department of Taxation and Tax Foundation of Hawaii submitted comments.

The airline industry has seen difficult economic times over the last several years, with many airlines filing for Chapter 11 Bankruptcy (Chapter 11). Only recently have some of these airlines emerged from Chapter 11 and the high costs of fuel continue to take a toll on the industry. Providing assistance to this industry will have a profound economic impact on this vital service.

However, your Committee finds that airlines already experience an aircraft fuel tax credit and that providing an exemption to all aviation fuel from general excise and use taxes may seriously impact state revenue. Accordingly, your Committee has amended this bill by:


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- (1) Restricting the exemption of taxes on aviation fuel to the general excise tax and use tax and eliminating the exemption to the fuel tax;
- (2) Restricting these tax exemptions to aviation fuel purchased or used for inter-island and intra-island air transportation by common carriers;
- (3) Inserting a sunset date of June 30, 2008; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2746, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2746, H.D. 2, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,



JOSEPH M. SOUKI, Chair



