

STAND. COM. REP. NO.

3140

Honolulu, Hawaii

MAR 24 2006

RE: H.B. No. 2877
H.D. 1
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Housing, to which was referred H.B. No. 2877, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to suspend the collection of the general excise tax on motor vehicle gasoline for two years.

Testimony in support of this measure was submitted by Aloha Petroleum, Ltd.; Akana Petroleum Inc.; the Hawaii Transportation Association; and two concerned individuals. No testimony in opposition to this measure was received by your Committee. Comments were submitted by the Department of Business, Economic Development and Tourism; the Department of Taxation; Oahu Ethanol Corporation; and the Tax Foundation of Hawaii.

Your Committee is in agreement with the Department of Business, Economic Development and Tourism and finds that a better approach to provide assistance to the people of Hawaii is to extend an excise tax exemption for gasoline blended with alcohol fuel for an additional three years, to the end of 2009. Your Committee further finds that this tax exemption should be extended to diesel fuel.

Upon further consideration, your Committee has amended this measure by:



- (1) Deleting the original provisions related to a suspension of the collection of the general excise tax on motor vehicle gasoline;
- (2) Providing for a tax exemption for gasoline blended with alcohol fuel by extending the date of repeal in Section 237-27.1, Hawaii Revised Statutes, to December 31, 2009; and
- (3) Applying this tax exemption to diesel fuel.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2877, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2877, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Housing,



RON MENOR, Chair



