

Honolulu, Hawaii

MAR 20 2006

RE: H.B. No. 487
H.D. 1
S.D. 2

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

Sir:

Your Committee on Transportation and Government Operations,
to which was referred H.B. No. 487, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure, as received, is to allow
counties to obtain taxpayer information from the State.

The purpose of this measure, as amended, is to exempt, from
the general excise tax and use tax, the aviation fuel purchased in
a foreign trade zone for use by common carriers in inter-island
and intra-island transportation.

Your Committee received testimony in support of this measure
from Hawaiian Airlines, Aloha Airlines, the International
Association of Machinist Union-Local Lodge 1979, Air Line Pilots
Association, Chamber of Commerce of Hawaii, and Hawaii State
Council of Machinists. Comments were received from the Department
of Taxation, State Foreign Trade Zone Administrator, and Tax
Foundation of Hawaii.

Your Committee finds that as an island state, air
transportation is vital to the lives of Hawaii's resident
population and the economic well-being of the State. Over the
past few years, the passenger air carriers serving Hawaii have
been impacted financially by the dramatic increases in jet fuel.



This has caused bankruptcy and reorganization of inter-island carriers.

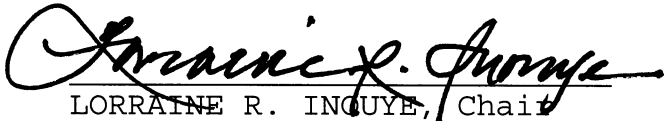
The single largest cost to the airlines is fuel, over which the airlines have no control, and there are no alternatives to jet fuel. According to testimony, every penny change in the price of fuel affects inter-island airlines by approximately \$1,000,000.

Your Committee believes the inter-island carriers need and deserve a reprieve from state taxes on fuel. However, your Committee is concerned that the tax savings will not necessarily be realized by residents in lower fares. Therefore, your Committee urges the airlines to accommodate residents by lowering air fares, which would also stimulate travel.

Your Committee has amended this measure by deleting its contents and inserting provisions to exempt from the general excise tax and use tax, the aviation fuel purchased in a foreign trade zone for use by common carriers in inter-island and intra-island transportation.

As affirmed by the record of votes of the members of your Committee on Transportation and Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 487, H.D. 1, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 487, H.D. 1, S.D. 2.


Respectfully submitted on
behalf of the members of the
Committee on Transportation and
Government Operations,


LORRAINE R. INOUE, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Transportation and Government Operations
(Bills and Resolutions)

Measure:*	Committee Referral:	Date:		
HB 487 HD1 SD1	TGO, WAM	3/17/06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to:				
<input type="checkbox"/> Pass, unamended (2312)	<input checked="" type="checkbox"/> Pass, with amendments (2311)	<input type="checkbox"/> Hold (2310)		
<input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
INOUE, Lorraine R. (C)	/			
ESPERO, Will (VC)	/			
BAKER, Rosalyn H.	/			
HEE, Clayton				/
KANNO, Brian				/
MENOR, Ron	/			
WHALEN, Paul				/
TOTAL	4			3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Do not list more than one measure per Record of Votes.