

STAND. COM. REP. NO. 2176

Honolulu, Hawaii

Feb. 16, 2006

RE: S.B. No. 3177
S.D. 1

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

Sir:

Your Committees on Energy, Environment, and International Affairs and Transportation and Government Operations, to which was referred S.B. No. 3177 entitled:

"A BILL FOR AN ACT RELATING TO CLEAN FUEL,"

beg leave to report as follows:

The purpose of this measure is to provide a tax incentive for the purchase of passenger vehicles or light trucks that operate on clean fuels.

The Rocky Mountain Institute, the Conservation Council for Hawaii, the Hawaii Energy Policy Forum, and the Hawaii Chapter of the Sierra Club submitted testimony in support of this measure. The Department of Business, Economic Development and Tourism, the Department of Taxation, and the Tax Foundation of Hawaii submitted comments.

Your Committees find that Hawaii's dependence on imported petroleum for one hundred per cent of its transportation energy needs leaves the State extremely vulnerable to an oil embargo, supply disruption, or other energy emergency. This measure provides a tax incentive for consumers to purchase vehicles that operate on clean fuels by increasing the excise tax on vehicles that weigh more and using the proceeds from the additional tax to provide rebates on vehicles that operate on clean fuels. The measure provides an additional incentive to buy clean fuel vehicles by exempting clean fuel vehicles from the excise tax entirely.

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Upon further consideration, your Committees amended this measure by:

- (1) Clarifying that the measure applies to passenger cars and pickup trucks and defining those terms;
- (2) Applying the additional excise tax to passenger cars and pickup trucks weighing over four thousand pounds net weight up to and including ten thousand pounds net weight;
- (3) Reducing the additional excise tax to one per cent of the gross proceeds of sales for applicable vehicles weighing over four thousand pounds net weight, up to and including five thousand pounds net weight;
- (4) Reducing the additional excise tax to two per cent of the gross proceeds of sales for applicable vehicles weighing over five thousand pounds net weight, up to and including ten thousand pounds net weight;
- (5) Clarifying that the additional excise tax shall not apply to a passenger car or pickup truck that is used solely for commercial or agricultural purposes, and requiring the Department of Taxation to adopt rules, which shall include criteria to determine what vehicles qualify as commercial or agricultural vehicles; and
- (6) Making technical, non-substantive amendments for clarity and style.

As affirmed by the records of votes of the members of your Committees on Energy, Environment, and International Affairs and Transportation and Government Operations that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3177, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3177, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Energy,
Environment, and International
Affairs and Transportation and
Government Operations,


LORRAINE R. INOUE, Chair


J. KALANI ENGLISH, Chair



