

STAND. COM. REP. NO.

1258

Honolulu, Hawaii

March 16, 2007

RE: S.B. No. 1034
S.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns,
to which was referred S.B. No. 1034, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to keep Hawaii's inter-island
airline industry healthy and competitive by exempting the fuel
sold to common carriers for intrastate air transportation from the
general excise and use taxes.

The Department of Business, Economic Development, and Tourism
(DBEDT), Department of Taxation, Hawaiian Airlines, Aloha
Airlines, Chamber of Commerce of Hawaii, March of Dimes, Aloha
Airlines Pilots' Union, International Association of Machinists
and Aerospace Workers District 141, and Transport Workers Union
submitted testimony supporting this bill. The Hawaii Fueling
Facilities Corporation and Tax Foundation of Hawaii commented.


Your Committee finds that this bill raises a number of
unresolved issues, the primary being whether federal law preempts
Hawaii's imposition of the general excise and use taxes on fuel
sold from a foreign-trade zone for use by airlines traveling
between the islands. Another, is the large disparity in estimates
as to the revenue loss under this bill.



Your Committee notes that DBEDT will be requesting an opinion by the Attorney General on the first issue. Additional information on aviation fuel sales has been provided in testimony that hopefully will allow cost estimates to be firmed up, and give the Committee on Finance a clearer view of the budgetary impact of this measure.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1034, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Transportation.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business
Concerns,



JERRY L. CHANG, Acting Chair



