

Honolulu, Hawaii

FEB 12 2007

RE: S.B. No. 1285

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committees on Transportation and International Affairs and Energy and Environment, to which was referred S.B. No. 1285 entitled:

"A BILL FOR AN ACT RELATING TO TAX,"

beg leave to report as follows:

The purpose of this measure is to exempt liquid fuels from the general excise tax, and to raise the fuel tax.

Your Committees received comments on this measure from the Department of Taxation (DOTAX).

Your Committees find that the general excise tax of four per cent is imposed on gasoline in addition to the fuel tax. Although crude oil prices are momentarily declining, the price of gas in Hawaii remains well above mainland retail prices. While most motorists have learned that Hawaii has one of the highest fuel tax rates in the nation, when the state and local fuel tax rates are combined, and that the general excise tax is imposed on gasoline, most do not know that the fuel oil purchased by Hawaii's electric companies is also subject to the general excise tax, and at the full retail rate of four per cent.

Given that energy use is so much a part of daily life, the rising cost of fuel oil along with the attendant general excise tax will make living and doing business in Hawaii all that more expensive. While the State cannot control the cost of fuel oil, it can control the taxes paid on the purchase of that fuel oil.



The intent of this measure to keep energy costs at a reasonable level is crucial to the economic future of Hawaii as businesses factor in all of the costs of doing business when making a decision to locate or continue to do business in Hawaii. If soaring energy costs make Hawaii goods and services uncompetitive on the world market, it is unlikely that those businesses and the jobs they create will remain in Hawaii.

The DOTAX estimates the fiscal impact will reduce general excise tax revenues by \$0.1 million annually and increase revenues to the State Highway Fund by about \$9.2 million annually. No methodology was furnished to indicate how these figures were developed.

As affirmed by the records of votes of the members of your Committees on Transportation and International Affairs and Energy and Environment that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1285 and recommend that it pass Second Reading and be referred to the Committee on Economic Development and Taxation.

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

  
\_\_\_\_\_  
RON MENOR, Chair

  
\_\_\_\_\_  
J. KALANI ENGLISH, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

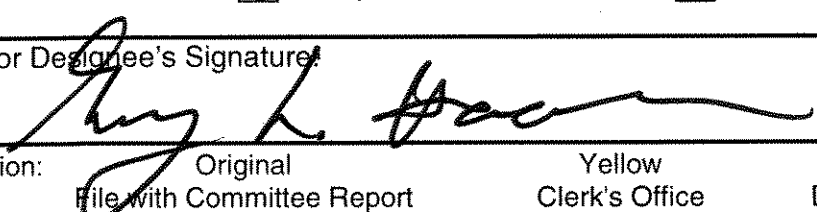
**Record of Votes**  
**Committee on Transportation and International Affairs**  
**TIA**

Bill / Resolution No.:* <b>SB 1285</b>	Committee Referral: <b>TIA / ENE, EDT, WAM</b>	Date: <b>2/7/07</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
ENGLISH, J. Kalani (C)	✓			
INOUE, Lorraine R. (VC)				✓
ESPERO, Will	✓			
HOOSER, Gary L.	✓			
TANIGUCHI, Brian T.				✓
TSUTSUI, Shan S.				✓
GABBARD, Mike	✓			
<b>TOTAL</b>	<b>4</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Will Espero</i>				
Distribution:             Original     Yellow     Pink File with Committee Report     Clerk's Office     Drafting Agency				

\*Only one measure per Record of Votes

The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Energy and Environment**  
**ENE**

Bill / Resolution No.:* <b>SB 1285</b>	Committee Referral: <b>TIA/ENE, EDT, WAM</b>	Date: <b>2/02/06</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MENOR, Ron (C)	✓			
HOOSER, Gary L. (VC)	✓			
IHARA, Jr., Les				✓
KOKUBUN, Russell S.				✓
TRIMBLE, Gordon		✓		
<b>TOTAL</b>	<b>2</b>	<b>1</b>		<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original             Yellow             Pink File with Committee Report             Clerk's Office             Drafting Agency				

\*Only one measure per Record of Votes