
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 243-4, Hawaii Revised Statutes, is
2 amended to read as follows:
3 "**§243-4 License taxes.** (a) Every distributor, in
4 addition to any other taxes provided by law, shall pay a license
5 tax to the department of taxation for each gallon of liquid fuel
6 refined, manufactured, produced, or compounded by the
7 distributor and sold or used by the distributor in the [~~State~~]
8 state or imported by the distributor, or acquired by the
9 distributor from persons who are not licensed distributors, and
10 sold or used by the distributor in the [~~State.~~] state. Any
11 person who sells or uses any liquid fuel, knowing that the
12 distributor from whom it was originally purchased has not paid
13 and is not paying the tax thereon, shall pay such tax as would
14 have applied to such sale or use by the distributor. The rates
15 of tax imposed are as follows:

16 (1) For each gallon of diesel oil[~~7~~] not used for motor
17 vehicles, 2 cents;



1 (2) For each gallon of gasoline or other aviation fuel
2 sold for use in or used for airplanes, 2 cents; and

3 (3) For each gallon of naphtha sold for use in a power-
4 generating facility, 1 cent[+]

5 ~~(4) For each gallon of liquid fuel, other than fuel~~
6 ~~mentioned in paragraphs (1), (2), and (3), and other~~
7 ~~than an alternative fuel, sold or used in the city and~~
8 ~~county of Honolulu, or sold in any county for ultimate~~
9 ~~use in the city and county of Honolulu, 17 cents state~~
10 ~~tax, and in addition thereto an amount, to be known as~~
11 ~~the "city and county of Honolulu fuel tax", as shall~~
12 ~~be levied pursuant to section 243-5;~~

13 ~~(5) For each gallon of liquid fuel, other than fuel~~
14 ~~mentioned in paragraphs (1), (2), and (3), and other~~
15 ~~than an alternative fuel, sold or used in the county~~
16 ~~of Hawaii, or sold in any county for ultimate use in~~
17 ~~the county of Hawaii, 17 cents state tax, and in~~
18 ~~addition thereto an amount, to be known as the "county~~
19 ~~of Hawaii fuel tax", as shall be levied pursuant to~~
20 ~~section 243-5;~~

21 ~~(6) For each gallon of liquid fuel, other than fuel~~
22 ~~mentioned in paragraphs (1), (2), and (3), and other~~



1 ~~than an alternative fuel, sold or used in the county~~
2 ~~of Maui, or sold in any county for ultimate use in the~~
3 ~~county of Maui, 17 cents state tax, and in addition~~
4 ~~thereto an amount, to be known as the "county of Maui~~
5 ~~fuel tax", as shall be levied pursuant to section 243-~~
6 ~~5; and~~

7 ~~(7) For each gallon of liquid fuel, other than fuel~~
8 ~~mentioned in paragraphs (1), (2), and (3), and other~~
9 ~~than an alternative fuel, sold or used in the county~~
10 ~~of Kauai, or sold in any county for ultimate use in~~
11 ~~the county of Kauai, 17 cents state tax, and in~~
12 ~~addition thereto an amount, to be known as the "county~~
13 ~~of Kauai fuel tax", as shall be levied pursuant to~~
14 ~~section 243-5].~~

15 If it is shown to the satisfaction of the department, based
16 upon proper records and from any other evidence as the
17 department may require, that liquid fuel, other than fuel
18 mentioned in paragraphs (1), (2), and (3), is used for
19 agricultural equipment that does not operate upon the public
20 highways of the State, the user thereof may obtain a refund of
21 all taxes thereon imposed by this section in excess of 1 cent



1 per gallon. The department shall adopt rules to administer such
2 refunds.

3 ~~[(b) Every distributor of diesel oil, in addition to the~~
4 ~~tax required by subsection (a), shall pay a license tax to the~~
5 ~~department for each gallon of diesel oil sold or used by the~~
6 ~~distributor for operating a motor vehicle or motor vehicles upon~~
7 ~~public highways of the State. The rates of the additional tax~~
8 ~~imposed are as follows:~~

9 ~~(1) For each gallon of diesel oil sold or used in the city~~
10 ~~and county of Honolulu, or sold in any other county~~
11 ~~for ultimate use in the city and county of Honolulu,~~
12 ~~15 cents state tax, and in addition thereto an amount,~~
13 ~~to be known as the "city and county of Honolulu fuel~~
14 ~~tax", as shall be levied pursuant to section 243-5;~~

15 ~~(2) For each gallon of diesel oil sold or used in the~~
16 ~~county of Hawaii, or sold in any other county for~~
17 ~~ultimate use in the county of Hawaii, 15 cents state~~
18 ~~tax, and in addition thereto an amount, to be known as~~
19 ~~the "county of Hawaii fuel tax", as shall be levied~~
20 ~~pursuant to section 243-5;~~

21 ~~(3) For each gallon of diesel oil sold or used in the~~
22 ~~county of Maui, or sold in any other county for~~



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1 ~~ultimate use in the county of Maui, 15 cents state~~
2 ~~tax, and in addition thereto an amount, to be known as~~
3 ~~the "county of Maui fuel tax", as shall be levied~~
4 ~~pursuant to section 243-5; and~~

5 ~~(4) For each gallon of diesel oil sold or used in the~~
6 ~~county of Kauai, or sold in any other county for~~
7 ~~ultimate use in the county of Kauai, 15 cents state~~
8 ~~tax, and in addition thereto an amount, to be known as~~
9 ~~the "county of Kauai fuel tax", as shall be levied~~
10 ~~pursuant to section 243-5.~~

11 ~~If any user of diesel oil furnishes a certificate, in a~~
12 ~~form that the department shall prescribe, to the distributor or~~
13 ~~if the distributor who uses diesel oil signs the certificate,~~
14 ~~certifying that the diesel oil is for use in operating a motor~~
15 ~~vehicle or motor vehicles in areas other than upon the public~~
16 ~~highways of the State, the tax as provided in paragraphs (1) to~~
17 ~~(4) shall not be applicable. If a certificate is not or cannot~~
18 ~~be furnished and the diesel oil is in fact for use for operating~~
19 ~~a motor vehicle or motor vehicles in areas other than upon~~
20 ~~public highways of the State, the user thereof may obtain a~~
21 ~~refund of all taxes thereon imposed by the foregoing paragraphs.~~



1 ~~The department shall adopt rules to administer the refunding of~~
2 ~~such taxes.~~

3 ~~(e)]~~ (b) The tax shall not be collected in respect to any
4 benzol, benzene, toluol, xylol, or alternative fuel sold for use
5 other than for operating internal combustion engines. With
6 respect to these products, other than alternative fuels, the
7 department, by rule, shall provide for the reporting and payment
8 of the tax and for the keeping of records in such a manner as to
9 collect, for each gallon of each product sold for use in
10 internal combustion engines for the generation of power, or so
11 used, the ~~[same tax or taxes as apply to each gallon of diesel~~
12 ~~oil.]~~ taxes required by this subsection. With respect to
13 alternative fuels, the only tax collected shall be that provided
14 in paragraphs (1), (2), and (3) of this subsection. This
15 subsection shall not apply to aviation fuel sold for use in or
16 used for airplanes.

17 (1) Every distributor of any alternative fuel for
18 operation of an internal combustion engine shall pay a
19 license tax to the department of one-quarter of 1 cent
20 for each gallon of alternative fuel sold or used by
21 the distributor;



1 (2) Every distributor, in addition to the tax required
2 under paragraph (1) of this subsection, shall pay a
3 license tax to the department for each gallon of
4 alternative fuel sold or used by the distributor for
5 operating a motor vehicle or motor vehicles upon the
6 public highways of the State [~~at a rate proportional~~
7 ~~to that of the rates applicable to diesel oil in~~
8 ~~subsection (b)]~~, rounded to the nearest one-tenth of a
9 cent, as follows:

10 (A) Ethanol, [~~0.145 times the rate for diesel;~~] 2.2
11 cents, and in addition thereto:

12 (i) For each gallon of ethanol sold or used in
13 the city and county of Honolulu, or sold in
14 any county for ultimate use in the city and
15 county of Honolulu, the "city and county of
16 Honolulu fuel tax", as shall be levied
17 pursuant to section 243-5;

18 (ii) For each gallon of ethanol sold or used in
19 the county of Hawaii, or sold in any county
20 for ultimate use in the county of Hawaii,
21 the "county of Hawaii fuel tax", as shall be
22 levied pursuant to section 243-5;



- 1 (iii) For each gallon of ethanol sold or used in
- 2 the county of Maui, or sold in any county
- 3 for ultimate use in the county of Maui, the
- 4 "county of Maui fuel tax", as shall be
- 5 levied pursuant to section 243-5; and
- 6 (iv) For each gallon of ethanol sold or used in
- 7 the county of Kauai, or sold in any county
- 8 for ultimate use in the county of Kauai, the
- 9 "county of Kauai fuel tax", as shall be
- 10 levied pursuant to section 243-5;
- 11 (B) Methanol, [~~0.11 times the rate for diesel,~~] 1.6
- 12 cents, and in addition thereto:
- 13 (i) For each gallon of methanol sold or used in
- 14 the city and county of Honolulu, or sold in
- 15 any county for ultimate use in the city and
- 16 county of Honolulu, the "city and county of
- 17 Honolulu fuel tax", as shall be levied
- 18 pursuant to section 243-5;
- 19 (ii) For each gallon of methanol sold or used in
- 20 the county of Hawaii, or sold in any county
- 21 for ultimate use in the county of Hawaii,



1 the "county of Hawaii fuel tax", as shall be
2 levied pursuant to section 243-5;

3 (iii) For each gallon of methanol sold or used in
4 the county of Maui, or sold in any county
5 for ultimate use in the county of Maui, the
6 "county of Maui fuel tax", as shall be
7 levied pursuant to section 243-5; and

8 (iv) For each gallon of methanol sold or used in
9 the county of Kauai, or sold in any county
10 for ultimate use in the county of Kauai, the
11 "county of Kauai fuel tax", as shall be
12 levied pursuant to section 243-5;

13 (C) Biodiesel, [~~0.25 times the rate for diesel,~~] 3.7
14 cents, and in addition thereto:

15 (i) For each gallon of biodiesel sold or used in
16 the city and county of Honolulu, or sold in
17 any county for ultimate use in the city and
18 county of Honolulu, the "city and county of
19 Honolulu fuel tax", as shall be levied
20 pursuant to section 243-5;

21 (ii) For each gallon of biodiesel sold or used in
22 the county of Hawaii, or sold in any county



1 for ultimate use in the county of Hawaii,
2 the "county of Hawaii fuel tax", as shall be
3 levied pursuant to section 243-5;

4 (iii) For each gallon of biodiesel sold or used in
5 the county of Maui, or sold in any county
6 for ultimate use in the county of Maui, the
7 "county of Maui fuel tax", as shall be
8 levied pursuant to section 243-5; and

9 (iv) For each gallon of biodiesel sold or used in
10 the county of Kauai, or sold in any county
11 for ultimate use in the county of Kauai, the
12 "county of Kauai fuel tax", as shall be
13 levied pursuant to section 243-5;

14 (D) Liquefied petroleum gas, [~~0.33 times the rate for~~
15 ~~diesel;~~] 4.9 cents, and in addition thereto:

16 (i) For each gallon of liquefied petroleum gas
17 sold or used in the city and county of
18 Honolulu, or sold in any county for ultimate
19 use in the city and county of Honolulu, the
20 "city and county of Honolulu fuel tax", as
21 shall be levied pursuant to section 243-5;



1 (ii) For each gallon of liquefied petroleum gas
2 sold or used in the county of Hawaii, or
3 sold in any county for ultimate use in the
4 county of Hawaii, the "county of Hawaii fuel
5 tax", as shall be levied pursuant to section
6 243-5;

7 (iii) For each gallon of liquefied petroleum gas
8 sold or used in the county of Maui, or sold
9 in any county for ultimate use in the county
10 of Maui, the "county of Maui fuel tax", as
11 shall be levied pursuant to section 243-5;
12 and

13 (iv) For each gallon of liquefied petroleum gas
14 sold or used in the county of Kauai, or sold
15 in any county for ultimate use in the county
16 of Kauai, the "county of Kauai fuel tax", as
17 shall be levied pursuant to section 243-5;

18 and

19 (E) For other alternative fuels, the rate shall be
20 based on the energy content of the fuels as
21 compared to diesel fuel, using a lower heating
22 value of one hundred thirty thousand British

1 thermal units per gallon as a standard for
2 diesel, so that the tax rate, on an energy
3 content basis, is equal to [~~one-quarter the rate~~
4 ~~for diesel fuel.~~] 3.75 cents.

5 The taxes so paid shall be paid into the state
6 treasury and deposited in special funds [~~or paid over~~
7 ~~in the same manner as provided in subsection (b) in~~
8 ~~respect of the tax on diesel oil~~];

- 9 (3) If any user of alternative fuel furnishes to the
10 distributor a certificate, in a form that the
11 department shall prescribe or if the distributor who
12 uses alternative fuel signs the certificate,
13 certifying that the alternative fuel is for use in
14 operating a motor vehicle or motor vehicles in areas
15 other than upon the public highways of the State, the
16 tax as provided by paragraphs (1) and (2) of this
17 subsection shall not be applicable; provided that no
18 certificate shall be required if the alternative fuel
19 is used for fuel and heating purposes in the home. If
20 a certificate is not or cannot be furnished and the
21 alternative fuel is in fact used for operating an
22 internal combustion engine or operating a motor



1 vehicle or motor vehicles in areas other than upon the
2 public highways of the State, the user thereof may
3 obtain a refund of all taxes thereon imposed by the
4 foregoing paragraphs. The department shall adopt
5 rules to administer the refunding of these taxes.

6 ~~[(d)]~~ (c) No tax shall be collected in respect to any
7 liquid fuel, including diesel oil and liquefied petroleum gas,
8 shown to the satisfaction of the department to have been sold
9 for use in and actually delivered to, or sold in, the county of
10 Kalawao."

11 SECTION 2. Act 209, Session Laws of Hawaii 2007, is
12 amended to read as follows:

13 1. By amending section 2 to read:

14 "SECTION 2. Chapter 237, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "**§237- Exemption of sale of alcohol fuels.** (a) There
18 shall be exempted from and excluded from the measure of the
19 taxes imposed by this chapter all of the gross income or gross
20 proceeds arising from the sale of alcohol fuels, as defined in
21 subsection (b), for consumption or use by the purchaser and not
22 for resale.



1 (b) For the purposes of this section, "alcohol fuels"
2 means neat biomass-derived alcohol liquid fuel or a petroleum-
3 derived fuel and alcohol liquid fuel mixture consisting of at
4 least ten volume per cent denatured biomass-derived alcohol
5 commercially usable as a fuel to power aircraft, seacraft,
6 spacecraft, motor vehicles, or other motorized vehicles.

7 (c) A producer, wholesaler, or retailer of alcohol fuels
8 shall pass any savings realized from this exemption on to the
9 end consumer. A producer, wholesaler, or retailer of alcohol
10 fuels shall not increase its profit margin on the sale of the
11 alcohol fuel as a result of this exemption. Any producer or
12 wholesaler who violates this subsection shall be subject to a
13 fine of \$100,000. Notwithstanding any law to the contrary, a
14 violation of this subsection shall be deemed an unfair or
15 deceptive act or practice in violation of and enforceable under
16 chapter 480.

17 ~~[(d) The director of taxation shall adopt rules pursuant to~~
18 ~~chapter 91 necessary to administer this section.]"~~

19 2. By amending section 6 to read:

20 "SECTION 6. This Act shall take effect on July 1, 2007[~~+~~
21 ~~provided that section 2 of this Act shall be repealed on June~~
22 ~~30, 2009]."~~

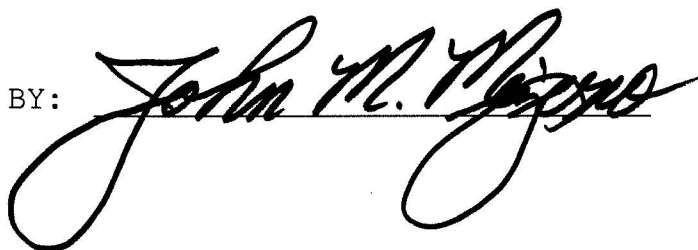


1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect on July 1, 2008;
4 provided that notwithstanding the repeal and reenactment of
5 section 243-4, Hawaii Revised Statutes, pursuant to section 5 of
6 Act 103, Session Laws of Hawaii 2007, the amendments to section
7 243-4, Hawaii Revised Statutes, by this Act shall remain in
8 effect.

9

INTRODUCED BY:

A handwritten signature in black ink, appearing to read "John W. Waiyoni", written over a horizontal line.

JAN 15 2008



Report Title:

Exemption; General Excise Tax; Fuel Tax; Gasoline; Diesel

Description:

Eliminates the assessment and collection of the state general excise tax and state fuel tax on gasoline and diesel fuel used for motor vehicles.

