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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that a healthy inter-  
2 island airline industry is vital to the state's economy.  
3 Hawaii's inter-island airlines continue to face severe financial  
4 challenges. Fuel costs in particular have skyrocketed and grown  
5 volatile in recent years. In fact, for most airlines, the cost  
6 of fuel has surpassed labor as the highest operating cost  
7 factor.

8           Sales of fuel sold from a foreign-trade zone for use by  
9 airlines traveling out-of-the-state are exempt from general  
10 excise and use taxes. However, intrastate flights are not  
11 exempt. To the extent that the Hawaii general excise and use  
12 taxes apply to intrastate flights, these taxes only exacerbate  
13 the problem for Hawaii airlines.

14           The legislature finds that exempting common carriers from  
15 the general excise and use taxes for sales of fuel from a  
16 foreign-trade zone for intrastate flights would level the  
17 playing field and create a fairer market for all airlines.



1           The purpose of this Act is to exempt common carriers from  
2 the general excise and use taxes for fuel sold from a foreign-  
3 trade zone to common carriers for use in intrastate  
4 transportation.

5           SECTION 2. Section 212-8, Hawaii Revised Statutes, is  
6 amended to read as follows:

7           "**§212-8 Exemption from taxes.** (a) Notwithstanding any  
8 law to the contrary, sales of all products [~~which are~~]  
9 categorized as privileged foreign merchandise, nonprivileged  
10 foreign merchandise, domestic merchandise, or zone-restricted  
11 merchandise, and [~~which are~~] admitted into a foreign-trade zone,  
12 as more specifically set forth in the Act of Congress[7] and any  
13 rules and regulations promulgated thereunder, made directly to  
14 any common carrier in interstate or foreign commerce, or both,  
15 whether ocean-going or air, for consumption out-of-state by the  
16 crew or passengers on the shipper's vessels or airplanes, or for  
17 use out-of-state by the vessels or airplanes, shall be exempt  
18 from those taxes imposed under chapters 237, 238, 243, 244D, and  
19 245.

20           (b) Notwithstanding any law to the contrary, sales of  
21 aviation fuel categorized as privileged foreign merchandise,  
22 nonprivileged foreign merchandise, domestic merchandise, or



1 zone-restricted merchandise, that is admitted into a foreign-  
2 trade zone, as more specifically set forth by an Act of Congress  
3 and any rules and regulations thereunder, made directly to or  
4 used by any common carrier for consumption or use in interstate  
5 air transportation shall be exempt from taxes imposed under  
6 chapters 237 and 238.

7 As used in this subsection:

8 "Aviation fuel" shall have the same meaning as defined in  
9 section 243-1.

10 "Interstate air transportation" means the transportation of  
11 passengers or property by aircraft as defined in Title 49 United  
12 States Code Section 40102(25)."

13 SECTION 3. This Act shall not be construed to imply that  
14 any law prior to the effective date of this Act is inconsistent  
15 with this Act.

16 SECTION 4. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 5. This Act shall take effect on July 1, 2034.



**Report Title:**

Taxes; Intrastate Aviation; Foreign Trade Zone; Exemption

**Description:**

Exempts from general excise and use taxes the fuel sold from a foreign-trade zone for intrastate air transportation by common carriers. (HB2860 HD1)

