
A BILL FOR AN ACT

RELATING TO INTRA-COUNTY FERRY SERVICE.

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

1 SECTION 1. The legislature finds that the residents of
2 West Maui are served by only one highway and one small airport.
3 Residents on the island of Lanai have only one feasible means of
4 transport to Maui - by intra-county ferry from Lanai to Lahaina.
5 However, the Lahaina small boat harbor is already overused and
6 is shared by commercial fishing activities and cruise ships that
7 add to already congested surface traffic.

8 The legislature finds that an alternate ferry route from
9 Lanai to Maalaea harbor will not only provide more convenient
10 travel for residents of Lanai and West Maui, but also ease the
11 congestion in and around Lahaina and its boat harbor and will
12 make an emergency ferry operations out of Lahaina a feasible
13 reality as a component of an emergency transportation system
14 should the only highway in West Maui be closed. However, any
15 ferry route to and from Maalaea harbor and Lahaina requires
16 priority assigning of mooring space. In addition, the added
17 fuel costs of this route would require an exemption from the
18 fuel tax for fuel purchases for the ferry service.



1 The purpose of this Act is to provide priority assignment
2 of mooring space for a new ferry route from Maalaea harbor to
3 Lahaina and to provide an exemption from the fuel tax for fuel
4 purchases for the ferry service.

5 SECTION 2. Any other law to the contrary notwithstanding,
6 the department of land and natural resources shall assign
7 priority mooring space to any intra-county ferry service
8 regulated by the public utilities commission that serves a
9 county:

10 (1) With a population of less than five hundred thousand
11 residents; and

12 (2) That includes at least three islands inhabited by
13 permanent residents.

14 SECTION 3. Section 243-4, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§243-4 License taxes**[-]; **exemption.** (a) This section
17 shall not apply to the sale of liquid fuel sold or used in the
18 State for ultimate use by an intra-county ferry service that
19 serves a county with a population of less than five hundred
20 thousand residents and that includes at least three islands
21 inhabited by permanent residents.



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

- 13 (1) For each gallon of diesel oil, 2 cents;
- 14 (2) For each gallon of gasoline or other aviation fuel
15 sold for use in or used for airplanes, 2 cents;
- 16 (3) For each gallon of naphtha sold for use in a power-
17 generating facility, 1 cent;
- 18 (4) For each gallon of liquid fuel, other than fuel
19 mentioned in paragraphs (1), (2), and (3), and other
20 than an alternative fuel, sold or used in the city and
21 county of Honolulu, or sold in any county for ultimate
22 use in the city and county of Honolulu, 17 cents state



1 tax, and in addition thereto an amount, to be known as
2 the "city and county of Honolulu fuel tax", as shall
3 be levied pursuant to section 243-5;

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

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

20 (7) For each gallon of liquid fuel, other than fuel
21 mentioned in paragraphs (1), (2), and (3), and other
22 than an alternative fuel, sold or used in the county



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

6 If it is shown to the satisfaction of the department, based
7 upon proper records and from any other evidence as the
8 department may require, that liquid fuel, other than fuel
9 mentioned in paragraphs (1), (2), and (3), is used for
10 agricultural equipment that does not operate upon the public
11 highways of the State, the user thereof may obtain a refund of
12 all taxes thereon imposed by this section in excess of 1 cent
13 per gallon. The department shall adopt rules to administer such
14 refunds.

15 [~~(b)~~] (c) Every distributor of diesel oil, in addition to
16 the tax required by subsection [~~(a)~~], (b), shall pay a license
17 tax to the department for each gallon of diesel oil sold or used
18 by the distributor for operating a motor vehicle or motor
19 vehicles upon public highways of the State. The rates of the
20 additional tax imposed are as follows:

21 (1) For each gallon of diesel oil sold or used in the city
22 and county of Honolulu, or sold in any other county



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

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

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

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



1 If any user of diesel oil furnishes a certificate, in a
2 form that the department shall prescribe, to the distributor or
3 if the distributor who uses diesel oil signs the certificate,
4 certifying that the diesel oil is for use in operating a motor
5 vehicle or motor vehicles in areas other than upon the public
6 highways of the State, the tax as provided in paragraphs (1) to
7 (4) shall not be applicable. If a certificate is not or cannot
8 be furnished and the diesel oil is in fact for use for operating
9 a motor vehicle or motor vehicles in areas other than upon
10 public highways of the State, the user thereof may obtain a
11 refund of all taxes thereon imposed by the foregoing paragraphs.
12 The department shall adopt rules to administer the refunding of
13 such taxes.

14 [~~(e)~~] (d) The tax shall not be collected in respect to any
15 benzol, benzene, toluol, xylol, or alternative fuel sold for use
16 other than for operating internal combustion engines. With
17 respect to these products, other than alternative fuels, the
18 department, by rule, shall provide for the reporting and payment
19 of the tax and for the keeping of records in such a manner as to
20 collect, for each gallon of each product sold for use in
21 internal combustion engines for the generation of power, or so
22 used, the same tax or taxes as apply to each gallon of diesel



1 oil. With respect to alternative fuels, the only tax collected
2 shall be that provided in paragraphs (1), (2), and (3) of this
3 subsection. This subsection shall not apply to aviation fuel
4 sold for use in or used for airplanes.

5 (1) Every distributor of any alternative fuel for
6 operation of an internal combustion engine shall pay a
7 license tax to the department of one-quarter of 1 cent
8 for each gallon of alternative fuel sold or used by
9 the distributor;

10 (2) Every distributor, in addition to the tax required
11 under paragraph (1) of this subsection, shall pay a
12 license tax to the department for each gallon of
13 alternative fuel sold or used by the distributor for
14 operating a motor vehicle or motor vehicles upon the
15 public highways of the State at a rate proportional to
16 that of the rates applicable to diesel oil in
17 subsection ~~[(b), 7]~~ (c), rounded to the nearest one-
18 tenth of a cent, as follows:

19 (A) Ethanol, 0.145 times the rate for diesel;

20 (B) Methanol, 0.11 times the rate for diesel;

21 (C) Biodiesel, 0.25 times the rate for diesel;



1 (D) Liquefied petroleum gas, 0.33 times the rate for
2 diesel; and

3 (E) For other alternative fuels, the rate shall be
4 based on the energy content of the fuels as
5 compared to diesel fuel, using a lower heating
6 value of one hundred thirty thousand British
7 thermal units per gallon as a standard for
8 diesel, so that the tax rate, on an energy
9 content basis, is equal to one-quarter the rate
10 for diesel fuel.

11 The taxes so paid shall be paid into the state
12 treasury and deposited in special funds or paid over
13 in the same manner as provided in subsection [~~(b)~~] (c)
14 in respect of the tax on diesel oil;

15 (3) If any user of alternative fuel furnishes to the
16 distributor a certificate, in a form that the
17 department shall prescribe or if the distributor who
18 uses alternative fuel signs the certificate,
19 certifying that the alternative fuel is for use in
20 operating a motor vehicle or motor vehicles in areas
21 other than upon the public highways of the State, the
22 tax as provided by paragraphs (1) and (2) of this



1 subsection shall not be applicable; provided that no
2 certificate shall be required if the alternative fuel
3 is used for fuel and heating purposes in the home. If
4 a certificate is not or cannot be furnished and the
5 alternative fuel is in fact used for operating an
6 internal combustion engine or operating a motor
7 vehicle or motor vehicles in areas other than upon the
8 public highways of the State, the user thereof may
9 obtain a refund of all taxes thereon imposed by the
10 foregoing paragraphs. The department shall adopt
11 rules to administer the refunding of these taxes.

12 [~~(d)~~] (e) No tax shall be collected in respect to any
13 liquid fuel, including diesel oil and liquefied petroleum gas,
14 shown to the satisfaction of the department to have been sold
15 for use in and actually delivered to, or sold in, the county of
16 Kalawao."

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

19 SECTION 5. This Act shall take effect on July 1, 2008;
20 provided that the amendments made to section 243-4, Hawaii
21 Revised Statutes, by section 3 of this Act shall not be repealed



1 when that section is repealed and reenacted on December 31, 2009
2 by section 5(1) of Act 103, Session Laws of Hawaii 2007.

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INTRODUCED BY:

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JAN 22 2008



Report Title:

Intra-County Ferry; Mooring Space; Priority; Fuel Tax Exemption

Description:

Requires department of land and natural resources to assign priority mooring space to intra-county ferries serving a county with 500,000 or less people and at least 3 islands inhabited by permanent residents. Exempts distributors from fuel tax for fuel sold for ultimate use by the intra-county ferry service.

