
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 of Hawaii are exempt from
10 general excise and use taxes. However, intrastate flights are
11 not exempt. To the extent that the Hawaii general excise and
12 use taxes apply to intrastate flights, these taxes only
13 exacerbate 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 for use in intrastate
3 transportation.

4 SECTION 2. Section 237-24.75, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "~~§~~237-24.75~~§~~ **Additional exemptions.** In addition to
7 the amounts exempt under section 237-24, this chapter shall not
8 apply to ~~amounts~~:

- 9 (1) Amounts received as a beverage container deposit
10 collected under chapter 342G, part VIII~~[-]~~; and
11 (2) Amounts of not more than \$3,800,000 received annually
12 from sales of aviation fuel, as defined in section
13 243-1, categorized as privileged foreign merchandise,
14 non-privileged foreign merchandise, domestic
15 merchandise, or zone-restricted merchandise, that is
16 admitted into a foreign-trade zone under chapter 212
17 and is made directly to or is used by a common carrier
18 for consumption or use in air transportation, whether
19 interstate, intrastate, or foreign."

20 SECTION 3. Section 238-3, Hawaii Revised Statutes, is
21 amended by amending subsection (g) to read as follows:



1 "(g) The tax imposed by this chapter shall not apply to
2 [any];

3 (1) Any intoxicating liquor as defined in chapter 244D and
4 cigarettes and tobacco products as defined in chapter
5 245, imported into the State and sold to any person or
6 common carrier in interstate commerce, whether ocean-
7 going or air, for consumption out-of-state by the
8 person, crew, or passengers on the shipper's vessels
9 or airplanes[-]; and

10 (2) Sales of not more than \$3,800,000 annually of aviation
11 fuel, as defined in section 243-1, categorized as
12 privileged foreign merchandise, non-privileged foreign
13 merchandise, domestic merchandise, or zone-restricted
14 merchandise, that is admitted into a foreign-trade
15 zone under chapter 212 and is made directly to or is
16 used by a common carrier for consumption or use in air
17 transportation, whether interstate, intrastate, or
18 foreign."

19 SECTION 4. This Act shall not be construed to imply that
20 any law in effect prior to the effective date of this Act is
21 inconsistent with this Act.



1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect on July 1, 2007, and
4 shall be repealed on December 31, 2009; provided that sections
5 237-24.75 and 238-3, Hawaii Revised Statutes, are reenacted in
6 the form in which they read on the day before the effective date
7 of this Act.



S.B. NO. 1034
S.D. 2
H.D. 1
C.D. 1

Report Title:

Taxes; Intrastate Aviation; Exemption

Description:

Exempts from general excise and use taxes the fuel sold for intrastate air transportation by common carriers. (CD1)

