

JAN 22 2007

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# A BILL FOR AN ACT

RELATING TO TAX.

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

1           SECTION 1. Chapter 237, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§237-    Exemption of sale of liquid fuels and alcohol  
5 fuels. (a) There shall be exempted from and excluded from the  
6 measure of the taxes imposed by this chapter all of the gross  
7 proceeds arising from the sale of liquid fuels, as defined in  
8 section 243-1, and alcohol fuels, as defined in subsection (b),  
9 for consumption or use by the purchaser and not for resale.

10           (b) For the purposes of this section, "alcohol fuels"  
11 means neat biomass-derived alcohol liquid fuel or a petroleum-  
12 derived fuel and alcohol liquid fuel mixture consisting of at  
13 least ten volume per cent denatured biomass-derived alcohol  
14 commercially usable as a fuel to power aircraft, seacraft,  
15 spacecraft, automobiles, or other motorized vehicles.

16           (c) The director of taxation shall adopt rules pursuant to  
17 chapter 91 necessary to administer this section."



1 SECTION 2. Section 243-4, Hawaii Revised Statutes, is  
2 amended by amending subsections (a) and (b) to read as follows:

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

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



1 the city and county of Honolulu, [~~16~~] 17 cents state  
2 tax, and in addition thereto such amount, to be known  
3 as the "city and county of Honolulu fuel tax", as  
4 shall be levied pursuant to section 243-5;

5 (4) For each gallon of liquid fuel other than fuel  
6 mentioned in paragraphs (1) and (2), and other than an  
7 alternative fuel, sold or used in the county of  
8 Hawaii, or sold in any county for ultimate use in the  
9 county of Hawaii, [~~16~~] 17 cents state tax, and in  
10 addition thereto such amount, to be known as the  
11 "county of Hawaii fuel tax", as shall be levied  
12 pursuant to section 243-5;

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

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



1 alternative fuel, sold or used in the county of Kauai,  
2 or sold in any county for ultimate use in the county  
3 of Kauai, [~~16~~] 17 cents state tax, and in addition  
4 thereto such amount, to be known as the "county of  
5 Kauai fuel tax", as shall be levied pursuant to  
6 section 243-5.

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

15 (b) Every distributor of diesel oil, in addition to the  
16 tax required by subsection (a), shall pay a license tax to the  
17 department for each gallon of such diesel oil sold or used by  
18 the distributor for operating a motor vehicle or motor vehicles  
19 upon public highways of the State. The rates of the additional  
20 tax hereby 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~~] 16 cents state tax, and in addition thereto such  
3 amount, to be known as the "city and county of  
4 Honolulu fuel tax", as shall be levied pursuant to  
5 section 243-5;

6 (2) For each gallon of diesel oil sold or used in the  
7 county of Hawaii, or sold in any other county for  
8 ultimate use in the county of Hawaii, [~~15~~] 16 cents  
9 state tax, and in addition thereto such amount, to be  
10 known as the "county of Hawaii fuel tax", as shall be  
11 levied pursuant to section 243-5;

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

18 (4) For each gallon of diesel oil sold or used in the  
19 county of Kauai, or sold in any other county for  
20 ultimate use in the county of Kauai, [~~15~~] 16 cents  
21 state tax, and in addition thereto such amount, to be



1 known as the "county of Kauai fuel tax", as shall be  
2 levied pursuant to section 243-5.

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

16 SECTION 3. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2007.

19 INTRODUCED BY: Rosalyn H Baker



**Report Title:**

General Excise Tax on Gasoline; Repeal; Increase Fuel Tax

**Description:**

Repeals general excise tax on gasoline. Increases fuel tax at 1-cent per gallon.

