
A BILL FOR AN ACT

RELATING TO BIODIESEL.

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

1 SECTION 1. Chapter 171, Hawaii Revised Statutes, is
2 amended by adding a new subpart to part III to be appropriately
3 designated and to read as follows:

4 " . **Crops Used in the Production of Biodiesel Fuel**

5 §171- Definitions. As used in this subpart:

6 "Biodiesel" means a vegetable oil-based fuel that meets
7 ASTM International Standard D6751, "Standard Specifications for
8 Biodiesel (B100) Fuel Blend Stock for Distillate Fuels", as
9 amended.

10 "Eligible lessee" means a person who is:

- 11 (1) Engaged or proposing to engage in an agricultural use
12 by growing qualifying crops; and
13 (2) Qualified to lease public lands under this chapter.

14 "Qualifying crops" means those agricultural crops planted,
15 cultivated, harvested, or processed of vegetable oil content
16 that is suitable for bioconversion into biodiesel fuel,



1 including soy, corn, bean, nut, olive, canola, sunflower, and
2 other crops and the seeds thereof.

3 §171- Lease of agricultural lands for crops used in the
4 production of biodiesel fuel. The board may lease by direct
5 negotiation and without recourse to public auction, public
6 agricultural lands; provided that:

7 (1) The terms of the lease entered into between the board
8 and a qualifying lessee shall incorporate appropriate
9 restrictions on the use of land assuring the land is
10 used for agricultural purposes and that qualifying
11 crops are grown; provided that nothing in this subpart
12 is intended to impact a qualifying lessee's use of the
13 land for personal residence purposes if allowed by
14 relevant land use laws; and

15 (2) The qualified crops grown on the leased public lands
16 shall be sold, exchanged, bartered, traded, or
17 otherwise transferred in exchange for consideration to
18 oil seed processing facilities, biodiesel producers,
19 or the department of agriculture under the energy
20 feedstock program in section 141-9.



1 §171- Rulemaking. The board may adopt rules in
2 accordance with chapter 91 to effectuate the purposes of this
3 subpart."

4 SECTION 2. Section 103D-1012, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) Notwithstanding any other law to the contrary,
7 contracts for the purchase of diesel fuel or boiler fuel shall
8 be awarded to the lowest responsible and responsive bidders,
9 with preference given to bids for biofuels or blends of biofuel
10 and petroleum fuel[-]; provided that for use in state vehicles
11 with diesel engines, preference shall be given to biodiesel
12 blends up to twenty per cent produced in the State from
13 feedstock grown in the State."

14 SECTION 3. Chapter 141, Hawaii Revised Statutes, is
15 amended as follows:

16 1. By designating sections 141-1 to 141-8 as part I and
17 inserting a title before section 141-1 to read as follows:

18 **"PART I. GENERALLY"**

19 2. By designating section 141-9 as part II and inserting a
20 title before section 141-9 to read as follows:

21 **"PART II. ENERGY FEEDSTOCK PROGRAM"**

22 3. By amending section 141-9 to read as follows:



1 "~~+~~§141-9~~+~~ **Energy feedstock program.** (a) There is
2 established within the department of agriculture an energy
3 feedstock program that shall:

- 4 (1) Maintain cognizance of actions taken by industry and
5 by federal, state, county, and private agencies in
6 activities relating to the production of energy
7 feedstock, and promote and support worthwhile energy
8 feedstock production activities in the State;
- 9 (2) Serve as an information clearinghouse for energy
10 feedstock production activities;
- 11 (3) Coordinate development projects to investigate and
12 solve biological and technical problems involved in
13 raising selected species with commercial energy
14 generating potential;
- 15 (4) Actively seek federal funding for energy feedstock
16 production activities;
- 17 (5) Undertake activities required to develop and expand
18 the energy feedstock production industry; and
- 19 (6) Perform other functions and activities as may be
20 assigned by law, including monitoring the compliance
21 provisions under section 205-4.5(a)(15).



1 (b) The feedstock program shall support, promote, and
2 stimulate the development of a market for biodiesel feedstock
3 crops grown in the State by:

4 (1) Purchasing biodiesel feedstock crops grown in the
5 State that are offered by biodiesel feedstock
6 producers at a price of up to 15 cents per pound above
7 cost until December 31, 2018; provided that the total
8 amount shall not exceed an aggregate total of
9 \$ _____ per fiscal year;

10 (2) Purchasing biodiesel fuel and biodiesel fuel blends
11 produced in the State using feedstock grown in the
12 State that are offered by fuel producers at a fair and
13 reasonable purchase price, which shall take into
14 consideration the expenses incurred by and profit
15 margin of the producer; provided that the total amount
16 shall not exceed an aggregate total of \$ _____ per
17 fiscal year; and

18 (3) Determining the disposition of the biodiesel feedstock
19 crop and biodiesel fuel and biodiesel fuel blends
20 purchased under this program.

21 (c) Lands used for the production of biodiesel feedstock
22 crops shall be exempted from the real property tax.



1 [~~(b)~~] (d) The chairperson of the board of agriculture
2 shall consult and coordinate with the energy resources
3 coordinator under chapter 196 to establish milestones and
4 objectives for the production of energy feedstock that is grown
5 in the State. The chairperson and the coordinator shall report
6 the State's progress toward meeting such milestones and
7 objectives annually to the legislature[~~(-)~~] at least twenty days
8 prior to the convening of each regular session. The report
9 shall include:

- 10 (1) The amount of biodiesel feedstock crops purchased
11 under this program and the cost expended;
12 (2) The amount of biodiesel fuel and biodiesel fuel blends
13 purchased under this program and the cost expended;
14 and
15 (3) The disposition of the feedstock crops and biodiesel
16 fuel and biodiesel fuel blends purchased under this
17 program.

18 [~~(e)~~] (e) The chairperson of the board of agriculture
19 shall also consult and coordinate with research programs and
20 activities at the University of Hawaii that will assist in the
21 further growth and promotion of the energy feedstock production
22 industry in Hawaii.



1 [~~d~~] (f) The chairperson of the board of agriculture may
2 employ temporary staff exempt from chapters 76 and 89. The
3 board may adopt rules pursuant to chapter 91 to effectuate the
4 purposes of this section.

5 (g) As used in this section,

6 "Biodiesel" means a vegetable oil-based fuel that meets
7 ASTM International Standard D6751, "Standard Specifications for
8 Biodiesel (B100) Fuel Blend Stock for Distillate Fuels", as
9 amended."

10 SECTION 4. Section 235-7, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) There shall be excluded from gross income, adjusted
13 gross income, and taxable income:

14 (1) Income not subject to taxation by the State under the
15 Constitution and laws of the United States;

16 (2) Rights, benefits, and other income exempted from
17 taxation by section 88-91, having to do with the state
18 retirement system, and the rights, benefits, and other
19 income, comparable to the rights, benefits, and other
20 income exempted by section 88-91, under any other
21 public retirement system;



- 1 (3) Any compensation received in the form of a pension for
2 past services;
- 3 (4) Compensation paid to a patient affected with Hansen's
4 disease employed by the State or the United States in
5 any hospital, settlement, or place for the treatment
6 of Hansen's disease;
- 7 (5) Except as otherwise expressly provided, payments made
8 by the United States or this State, under an act of
9 Congress or a law of this State, which by express
10 provision or administrative regulation or
11 interpretation are exempt from both the normal and
12 surtaxes of the United States, even though not so
13 exempted by the Internal Revenue Code itself;
- 14 (6) Any income expressly exempted or excluded from the
15 measure of the tax imposed by this chapter by any
16 other law of the State, it being the intent of this
17 chapter not to repeal or supersede any express
18 exemption or exclusion;
- 19 (7) Income received by each member of the reserve
20 components of the Army, Navy, Air Force, Marine Corps,
21 or Coast Guard of the United States of America, and
22 the Hawaii national guard as compensation for



1 performance of duty, equivalent to pay received for
2 forty-eight drills (equivalent of twelve weekends) and
3 fifteen days of annual duty, at an:

4 (A) E-1 pay grade after eight years of service;
5 provided that this subparagraph shall apply to
6 taxable years beginning after December 31, 2004;

7 (B) E-2 pay grade after eight years of service;
8 provided that this subparagraph shall apply to
9 taxable years beginning after December 31, 2005;

10 (C) E-3 pay grade after eight years of service;
11 provided that this subparagraph shall apply to
12 taxable years beginning after December 31, 2006;

13 (D) E-4 pay grade after eight years of service;
14 provided that this subparagraph shall apply to
15 taxable years beginning after December 31, 2007;

16 and

17 (E) E-5 pay grade after eight years of service;
18 provided that this subparagraph shall apply to
19 taxable years beginning after December 31, 2008;

20 (8) Income derived from the operation of ships or aircraft
21 if the income is exempt under the Internal Revenue
22 Code pursuant to the provisions of an income tax



1 treaty or agreement entered into by and between the
2 United States and a foreign country; provided that the
3 tax laws of the local governments of that country
4 reciprocally exempt from the application of all of
5 their net income taxes, the income derived from the
6 operation of ships or aircraft that are documented or
7 registered under the laws of the United States;

8 (9) The value of legal services provided by a prepaid
9 legal service plan to a taxpayer, the taxpayer's
10 spouse, and the taxpayer's dependents;

11 (10) Amounts paid, directly or indirectly, by a prepaid
12 legal service plan to a taxpayer as payment or
13 reimbursement for the provision of legal services to
14 the taxpayer, the taxpayer's spouse, and the
15 taxpayer's dependents;

16 (11) Contributions by an employer to a prepaid legal
17 service plan for compensation (through insurance or
18 otherwise) to the employer's employees for the costs
19 of legal services incurred by the employer's
20 employees, their spouses, and their dependents;

21 (12) Amounts received in the form of a monthly surcharge by
22 a utility acting on behalf of an affected utility



1 under section 269-16.3 shall not be gross income,
2 adjusted gross income, or taxable income for the
3 acting utility under this chapter. Any amounts
4 retained by the acting utility for collection or other
5 costs shall not be included in this exemption; [and]

6 (13) One hundred per cent of the gain realized by a fee
7 simple owner from the sale of a leased fee interest in
8 units within a condominium project, cooperative
9 project, or planned unit development to the
10 association of apartment owners or the residential
11 cooperative corporation of the leasehold units.

12 For purposes of this paragraph:

13 ~~["Fee simple owner" shall have the same meaning~~
14 ~~as provided under section 516-1, provided that it~~
15 ~~shall include legal and equitable owners,~~

16 ~~"Legal and equitable owner", and "leased fee~~
17 ~~interest" shall have the same meanings as provided~~
18 ~~under section 516-1, and]~~

19 "Condominium project" and "cooperative project"
20 shall have the same meanings as provided under section
21 514C-1.



1 "Fee simple owner" shall have the same meaning as
2 provided under section 516-1; provided that it shall
3 include legal and equitable owners; and

4 "Legal and equitable owner", and "leased fee
5 interest" shall have the same meanings as provided
6 under section 516-1;

7 and

8 (14) One hundred per cent of the income derived from an oil
9 seed crushing facility that processes oil seed
10 produced or grown in the State for biodiesel
11 production in the State.

12 As used in this paragraph:

13 "Biodiesel" means a vegetable oil-based fuel that
14 meets ASTM International Standard D6751, "Standard
15 Specifications for Biodiesel (B100) Fuel Blend Stock
16 for Distillate Fuels", as amended.

17 "Biodiesel production facility" means a facility
18 that processes feedstock to produce biodiesel.

19 "Feedstock" means the form of biomass as it is
20 processed in an oil seed crushing facility.

21 "Oil seed crushing facility" means a separate and
22 distinct facility that processes oil seed that is



1 grown in the State, including soy, corn, bean, nut,
2 olive, canola, mustard, and sunflower and other crops
3 and the seeds thereof, to be used as biomass to
4 produce biodiesel, and that may not be integrated with
5 a biodiesel production facility."

6 SECTION 5. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 6. This Act shall take effect on July 1, 2008;
9 provided that the real property tax provision in section
10 141-9(c), Hawaii Revised Statutes, as amended in section 3 of
11 this Act shall apply to tax years beginning on January 1, 2009
12 and shall be repealed on December 31, 2018; provided further
13 that the amendments made to section 235-7, Hawaii Revised
14 Statutes, by this Act shall not be repealed when that section is
15 reenacted on January 1, 2013, pursuant to section 3 of Act 166,
16 Session Laws of Hawaii 2007.



Report Title:

Biodiesel; Market Stimulation

Description:

Provides various market stimulation incentives for the development of biodiesel, including making state agricultural lands available for biodiesel fuel crops; establishing a state biodiesel feedstock crop and biodiesel fuel purchasing program; and creating tax exemptions for biomass crushing facilities and lands used for biodiesel feedstock crops. (SD1)

