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# A BILL FOR AN ACT

RELATING TO FUEL TAX.

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

1           SECTION 1. Section 243-4, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "**§243-4 License taxes.** (a) Every distributor [~~shall~~], in  
4 addition to any other taxes provided by law, shall pay a license  
5 tax to the department of taxation for each gallon of liquid fuel  
6 refined, manufactured, produced, or compounded by the  
7 distributor and sold or used by the distributor in the State or  
8 imported by the distributor, or acquired by the distributor from  
9 persons who are not licensed distributors, and sold or used by  
10 the distributor in the State. Any person who sells or uses any  
11 liquid fuel, knowing that the distributor from whom it was  
12 originally purchased has not paid and is not paying the tax  
13 thereon, shall pay [~~such~~] the tax as would have applied to  
14 [~~such~~] the sale or use by the distributor. The rates of tax  
15 hereby imposed are as follows:

- 16           (1) For each gallon of diesel oil, 1 cent;  
17           (2) For each gallon of gasoline or other aviation fuel  
18           sold for use in or used for airplanes, 1 cent;



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



1 Maui fuel tax", as shall be levied pursuant to section  
2 243-5; and

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

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

19 (b) Every distributor of diesel oil, in addition to the  
20 tax required by subsection (a), shall pay a license tax to the  
21 department for each gallon of [~~such~~] diesel oil sold or used by  
22 the distributor for operating a motor vehicle or motor vehicles

1 upon public highways of the State. The rates of the additional  
2 tax hereby imposed are as follows:

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

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

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



1           (4) For each gallon of diesel oil sold or used in the  
2           county of Kauai, or sold in any other county for  
3           ultimate use in the county of Kauai, 15 cents state  
4           tax, and in addition [~~thereto such~~] to that amount, to  
5           be known as the "county of Kauai fuel tax", as shall  
6           be levied pursuant to section 243-5.

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

20          (c) The tax shall not be collected in respect to any  
21          benzol, benzene, toluol, xylol, or alternative fuel sold for use  
22          other than for operating internal combustion engines. With



1 respect to these products, other than alternative fuels, the  
2 department, by rule, shall provide for the reporting and payment  
3 of the tax and for the keeping of records in respect thereto, in  
4 such a manner as to collect, for each gallon of [~~such~~] each  
5 product sold for use in internal combustion engines for the  
6 generation of power, or so used, the same tax or taxes as apply  
7 to each gallon of diesel oil. With respect to alternative  
8 fuels, the only tax collected shall be that provided in  
9 paragraphs (1), (2), and (3) of this subsection. This  
10 subsection shall not apply to aviation fuel sold for use in or  
11 used for airplanes.

12 (1) Every distributor of any alternative fuel for  
13 operation of an internal combustion engine shall pay a  
14 license tax to the department of one-quarter of one  
15 cent for each gallon of [~~such~~] alternative fuel sold  
16 or used by the distributor;

17 (2) Every distributor, in addition to the tax required  
18 under paragraph (1) of this subsection, shall pay a  
19 license tax to the department for each gallon of  
20 alternative fuel sold or used by the distributor for  
21 operating a motor vehicle or motor vehicles upon the  
22 public highways of the State at a rate proportional to



1 that of the rates applicable to diesel oil in  
2 subsection (b), rounded to the nearest one-tenth of a  
3 cent, as follows:

- 4 (A) Ethanol, 0.145 times the rate for diesel;  
5 (B) Methanol, 0.11 times the rate for diesel;  
6 (C) Biodiesel, 0.25 times the rate for diesel;  
7 (D) Liquefied petroleum gas, 0.33 times the rate for  
8 diesel; and  
9 (E) For other alternative fuels, the rate shall be  
10 based on the energy content of the fuels as  
11 compared to diesel fuel, using a lower heating  
12 value of one hundred thirty thousand British  
13 thermal units per gallon as a standard for  
14 diesel, so that the tax rate, on an energy  
15 content basis, is equal to one-quarter the rate  
16 for diesel fuel.

17 The taxes so paid shall be paid into the state  
18 treasury and deposited in special funds or paid over  
19 in the same manner as provided in subsection (b) in  
20 respect of the tax on diesel oil;

- 21 (3) If any user of alternative fuel furnishes to the  
22 distributor a certificate, in ~~such~~ a form as the



1 department shall prescribe, or the distributor who  
2 uses alternative fuel signs [~~such~~] the certificate,  
3 certifying that the alternative fuel is for use in  
4 operating a motor vehicle or motor vehicles in areas  
5 other than upon the public highways of the State, the  
6 tax as provided by paragraphs (1) and (2) of this  
7 subsection shall not be applicable; provided that no  
8 certificate shall be required if the alternative fuel  
9 is used for fuel and heating purposes in the home.

10 [~~In the event~~] If a certificate is not or cannot be  
11 furnished and the alternative fuel is in fact used for  
12 operating an internal combustion engine or operating a  
13 motor vehicle or motor vehicles in areas other than  
14 upon the public highways of the State, the user  
15 thereof may obtain a refund of all taxes thereon  
16 imposed by [~~such~~] these paragraphs. The department  
17 shall adopt rules to administer the refunding of  
18 [~~such~~] the taxes imposed.

19 (d) No tax shall be collected in respect to any liquid  
20 fuel, including diesel oil and liquefied petroleum gas, shown to  
21 the satisfaction of the department to have been sold for use in  
22 and actually delivered to, or sold in, the county of Kalawao.





1       (e) No tax shall be collected in respect to any liquid  
2 fuel, including diesel oil and liquefied petroleum gas, shown to  
3 the satisfaction of the department to have been sold for use in  
4 a power-generating facility. For the purposes of this  
5 subsection, "power-generating facility" means any electricity-  
6 generating facility or electric cooperative that uses or  
7 purchases any liquid fuel, including diesel oil and liquefied  
8 petroleum gas, or a combination thereof, for the purpose of  
9 generating electricity."

10       SECTION 2. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12       SECTION 3. This Act shall take effect on July 1, 2035.



**Report Title:**

Fuel Tax; Power Generation

**Description:**

Exempts power-generating facilities and electric cooperatives from the tax on liquid fuel. (SD2)

