

STAND. COM. REP. NO.

2931

Honolulu, Hawaii

MAR 13 2008

RE: H.B. No. 2860  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Transportation and International Affairs,  
to which was referred H.B. No. 2860, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to exempt common carriers from the general excise and use taxes for fuel sold from a foreign-trade zone to common carriers for use in interisland air transportation.

Testimony in support of this measure was received from the Department of Business, Economic Development, and Tourism; the Department of Taxation; The Chamber of Commerce of Hawaii; Aloha Airlines, Hawaiian Airlines; the Air Line Pilots Association; the International Association of Machinists and Aerospace Workers, the Transport Workers Union, and the Hawaii Chapter of the March of Dimes. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that currently, aviation fuel purchased in a foreign-trade zone is exempt from state taxation for those flights that are bound for an out-of-state or foreign destination. Because these flights are considered within interstate or foreign commerce, taxation is exempt pursuant to federal law. There is no corresponding exemption for interisland flights because these flights are not considered to be in foreign or interstate commerce for tax purposes by the Department of Taxation.



The language in this measure, including the clarification of "transportation between two points in the State" will resolve this discrepancy.

Your Committee has amended this measure by:

- (1) Changing the effective date from July 1, 2034, to July 1, 2008; and
- (2) Making technical, nonsubstantive amendments to conform to the preferred drafting style.

As affirmed by the record of votes of the members of your Committee on Transportation and International Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2860, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2860, H.D. 2, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on  
behalf of the members of the  
Committee on Transportation and  
International Affairs,

  
\_\_\_\_\_  
J. KALANI ENGLISH, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Transportation and International Affairs**  
**TIA**

Bill / Resolution No.:* HB 2860, HD2 (HSCR 907-08)	Committee Referral: TIA, EDT, WAM	Date: 3-12-08
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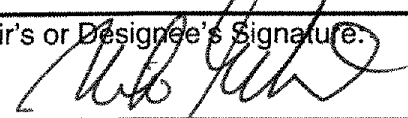
The committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312     Pass, with amendments 2311     Hold 2310     Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
ENGLISH, J. Kalani (C)	✓			
GABBARD, Mike (VC)	✓			
ESPERO, Will				✓
HOOSER, Gary L.				✓
INOUE, Lorraine R.	✓			
TSUTSUI, Shan S.				✓
TRIMBLE, Gordon			✓	
<b>TOTAL</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>3</b>

Recommendation:  Adopted     Not Adopted

Chair's or Designee's Signature:  


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\*Only one measure per Record of Votes