

STAND. COM. REP. NO.

3224

Honolulu, Hawaii

MAR 28 2008

RE: H.B. No. 2860
H.D. 2
S.D. 3

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

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2860, H.D. 2, S.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 fuel sold from a foreign-trade zone to interisland airline carriers from general excise and use taxes.

Your Committee received testimony in support of the measure from the Department of Taxation, the Chamber of Commerce of Hawaii, Aloha Airlines, and Hawaiian Airlines. The State Tourism Liaison and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that the State is dependent upon an efficient and reliable inter-island airline industry to provide quick and economical transportation between the islands. The industry, however, has faced severe financial challenges in recent years in the form of airfare wars, bankruptcies, and skyrocketing fuel costs.

Your Committee also finds that the sale of fuel sold from a foreign-trade zone for use by airlines traveling out-of-state is exempt from the general excise and use taxes. However, this exemption does not extend to airline carriers traveling interisland.



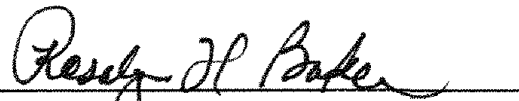
By exempting the general excise and use taxes on fuel sold from a foreign-trade zone to interisland airline carriers, this measure not only provides needed financial relief to the interisland airline industry, but also levels the playing field with respect to the tax treatment of all airlines purchasing fuel from a foreign-trade zone.

Your Committee has amended the measure by:

- (1) Removing the limit on the general excise tax exemption available to interisland airline carriers; and
- (2) Making technical nonsubstantive amendments for purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2860, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2860, H.D. 2, S.D. 3.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,




ROSALYN H. BAKER, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB2860, HD2, SD2	TIA, EDT, WAM	3/27/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312				
<input checked="" type="checkbox"/> Pass, with amendments 2311				
<input type="checkbox"/> Hold 2310				
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani				/
FUKUNAGA, Carol	/			
HOOSER, Gary L.	/			
INOUYE, Lorraine R.	/			
KIM, Donna Mercado	/			
MENOR, Ron	/			
TOKUDA, Jill N.	/			
HEMMINGS, Fred	/			
WHALEN, Paul	/			
TOTAL	11	0	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes