

Honolulu, Hawaii

FEB 06 2007

RE: S.B. No. 1034

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Transportation and International Affairs,  
to which was referred S.B. No. 1034 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 intrastate transportation.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism, Aloha Airlines, The Chamber of Commerce of Hawaii, Transport Workers Union, Aloha Airlines Pilots' Union, International Association of Machinists and Aerospace Workers District 141, Hawaiian Airlines and the Hawaii Fueling Facilities Corporation. Comments were received from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that a healthy inter-island airline industry is vital to the State's economy. Hawaii's inter-island airlines continue to face severe financial challenges. Fuel costs in particular have skyrocketed and grown volatile in recent years. In fact, for most airlines, the cost of fuel has surpassed labor as the highest operating cost factor.

The intent of this measure is to level the playing field and create a fairer market for all airlines. Sales of fuel sold from a foreign-trade zone for use by airlines traveling out of the



State of Hawaii are exempt from general excise and use taxes. However, intrastate flights are not exempt. To the extent that the Hawaii general excise and use taxes apply to intrastate flights, these taxes only exacerbate the problem for Hawaii airlines. Your Committee received a fiscal impact statement from the Department of Taxation on a revenue loss of \$12.3 million annually. The Department did not submit the methodology by which the fiscal impact was calculated.

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 S.B. No. 1034 and recommends that it pass Second Reading 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,




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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.:* <b>SB 1034</b>	Committee Referral: <b>TIA, EDT, WAM</b>	Date: <b>2/5/07</b>		
<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 checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
ENGLISH, J. Kalani (C)	✓			
INOUE, Lorraine R. (VC)				✓
ESPERO, Will	✓			
HOOSER, Gary L.	✓			
TANIGUCHI, Brian T.				✓
TSUTSUI, Shan S.				✓
GABBARD, Mike	✓			
<b>TOTAL</b>	<b>4</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original             Yellow             Pink File with Committee Report             Clerk's Office             Drafting Agency				

\*Only one measure per Record of Votes