

STAND. COM. REP. NO.

1015

Honolulu, Hawaii

MAR 02 2007

RE: S.B. No. 1285
S.D. 1

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

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 1285, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAX,"

begs leave to report as follows:

The purpose of this measure is to exempt the service stations from having to pay the four per cent general excise taxes on their gross sales of gasoline, and to increase the fuel tax on each gallon of gasoline that is distributed to businesses that use the fuel for its businesses and to the service stations for sale to the consumers.

Written comments supporting the intent of this measure were submitted by the Department of Taxation. The Tax Foundation of Hawaii submitted written comments.

Exempting the service stations from paying the four per cent general excise tax on each gallon of gasoline sold should reduce the overall cost of gasoline to the consumer. In addition, the one cent increase of the fuel tax on each gallon of fuel (including gasoline) distributed to service stations and other business enterprises that use the fuel will inject sorely needed revenue of approximately \$9.2 million annually into the state highway fund. At a time of increasing costs and demands for repair and maintenance of state highways, the state highway fund balance is projected to decline from \$91.9 million in the current fiscal year to \$5.2 million in 2013.



Your Committee notes that the state highway fund provides money critical to the repair and maintenance of state highways, and that the money in the fund can be used to match federal highway dollars in a twenty per cent to eighty per cent ratio. However, your Committee remains concerned that the state highway fund may be in for financial distress.

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 S.B. No. 1285, S.D. 1, and recommends that it pass Third Reading.

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



ROSALYN H. BAKER, Chair



