

STAND. COM. REP. NO. 2536

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 3149
S.D. 2

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 3149, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HIGHWAYS,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Require the remittance of general excise tax revenues from liquid fuel sales to the State Highway Fund; and
- (2) Repeal provisions authorizing transfers of revenues deemed excess out of the State Highway Fund.

Testimony in support of this measure was received from the Hawaii Transportation Association, Catrala-Hawaii, Hawaii Asphalt Paving Industry, Charley's Taxi, City Taxi, Inc., and one individual. The Department of Taxation submitted comments.

Your Committee finds that a strong transportation infrastructure is a key element in quality of life for residents and visitors alike. As the number and size of vehicles on Hawaii's roads and highways increases, so does the need for additional funding for repairs and maintenance.

The Department of Taxation (Department) has estimated that this measure would result in a loss to the general fund and gain to the State Highway Fund of \$36,800,000 in fiscal year 2009, \$78,000,000 in fiscal year 2010, and \$79,100,000 in fiscal year

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2011. The taxable gallonage from fiscal year 2007 was used to derive the excise tax receipts derived from the selling of these fuels. The Department also noted that gasoline was mostly subject to the general excise tax exemption for alcohol-based fuels, and that oil and gas refining has a special general excise tax exemption for multiple refineries in multi-step refining processes.

The Department also expressed concerns regarding tracking the specific fuel revenues as contemplated by this measure. The Department does not track the gross proceeds of sales of fuel to the extent requested, and would need additional resources to do so.

Your Committee has considered these concerns, and how additional resources might be generated for the operation, maintenance, and repair of the state highway system. One option would be an increase in the tour vehicle surcharge tax pursuant to section 251-2(b), Hawaii Revised Statutes.

Your Committee finds that the fiscal resources this measure would provide should be considered in relation to other measures that would generate additional moneys for the operation, maintenance, and repair of the state highway system. Your Committee has amended this measure accordingly, by:

- (1) Designating sections 1 through 4 as part I;
- (2) Adding part II, to amend section 251-2(b), Hawaii Revised Statutes, by replacing the tour vehicle surcharge tax of \$65 for each tour vehicle that falls into the over twenty-five passenger seat category, and \$15 for the eight to twenty-five passenger seat category, with unspecified surcharge amounts;
- (3) Designating sections 7 and 8 as part III, and making the effective date July 1, 2040, for the purposes of further discussion; and
- (4) Making a technical, nonsubstantive amendment.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3149, S.D. 1, as amended herein, and



recommends that it be referred to the Committee on Ways and Means,
in the form attached hereto as S.B. No. 3149, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,

Carol Fukunaga

CAROL FUKUNAGA, Chair



