

STAND. COM. REP. NO.

52

Honolulu, Hawaii

FEB 08 2007

RE: S.B. No. 731
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 Energy and Environment, to which was referred S.B. No. 731 entitled:

"A BILL FOR AN ACT RELATING TO FUEL TAX,"

begs leave to report as follows:

The purpose of this measure is to restrict the fuel tax to fuel used for transportation purposes.

Your Committee received testimony in support of this measure from the Kauai Island Utility Cooperative. Your Committee received testimony in opposition to this measure from the Department of Taxation, the Department of Transportation, and one individual. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that restricting the fuel tax to fuel used only for transportation purposes is overly broad and detrimental to the state highway system's operations and maintenance. Your Committee further finds that the license tax currently imposed upon facilities that purchase liquid fuel for electricity generation results in more than \$2 million of annual tax liability, which is then passed on to its consumers.

It is the intent of your Committee to relieve some of the tax burden from power-generating facilities and electric cooperatives that purchase liquid fuel. It is the further intent of your Committee to not exempt power-generating facilities and electric cooperatives from the environmental response tax pursuant to section 243-3.5, Hawaii Revised Statutes.

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Your Committee received a fiscal impact statement on this measure from the Department of Taxation that anticipates a revenue loss of approximately \$1.7 million in fiscal year 2008.

Your Committee amended this measure in accordance with the Department of Taxation's recommendations by removing the exemption from section 243-7, Hawaii Revised Statutes, and adding the exemption to the "license taxes" section, section 243-4, Hawaii Revised Statutes.

Your Committee further amended this measure by clarifying that the exemption applies to power-generating facilities and electric cooperatives, thereby narrowing the scope from the original language of the measure that very broadly exempted the fuel tax from "fuel used for power generation purposes".

Your Committee further amended this measure by making technical, nonsubstantive changes for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 731, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 731, 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 Energy and
Environment,



RON MENOR, Chair



