

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 731

S.D. 2

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 731, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to exempt power-generating facilities and electric cooperatives from the tax on liquid fuel.

Testimony in support of this measure was received from Kaua'i Island Utility Cooperative. The Department of Transportation, Department of Taxation, and Tax Foundation of Hawaii submitted comments.

Your Committee finds that this measure would clarify a question regarding the interpretation of language in chapter 243, Hawaii Revised Statutes, pertaining to which types of liquid fuels are subject to specific taxes.

Your Committee received a revenue impact statement from the Department of Taxation that stated the revenue loss to the State Highway Fund would be \$1,400,000 to \$1,700,000 in fiscal year 2008.

In its methodology, the Department stated the State's fuel tax for non-highway use of diesel oil was \$1,600,000 in fiscal year 2006. The counties did not tax this fuel. Assuming two per cent growth per year, the revenue cost for 2008 would be $\$1.62 \times 1.02 \times 1.02 = \$1,690,000$.



Your Committee is in support of this measure; provided that the savings realized by the power-generating facility are passed on to customers of the facility.

Your Committee has amended this measure by inserting an effective date of July 1, 2035, for the purposes of further discussion.

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. 731, 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. 731, S.D. 2.

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


CAROL FUKUNAGA, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 731 SD1</i>	<i>ENE, EDT, WAM</i>	<i>2/15/07</i>		
<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
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	<i>4</i>			<i>1</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency		

*Only one measure per Record of Votes