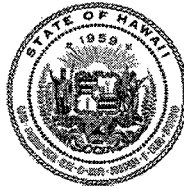


LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

## SENATE COMMITTEE ON TRANSPORTATION & INTERNATIONAL AFFAIRS

### TESTIMONY REGARDING HB 2860 HD 2 RELATING TO TAXATION

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: MARCH 10, 2008**

**TIME: 1:30PM**

**ROOM: 224**

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This bill proposes exempt aviation fuel purchased from a foreign trade zone from the state general excise and use taxes for fuel used in inter-island travel.

The House Committee on Economic Development & Business Concerns amended this bill's effective date for purposes of further discussion.

The House Committee on Transportation amended the bill by including the comments of the Department's prior testimony.

The House Committee on Finance passed the bill unamended.

The House of Representatives passed this measure on third reading.

The Department of Taxation (Department) **supports** this legislation.

This bill amends the general excise and use tax law regarding the exemptions from taxation that are currently allowed. Presently, aviation fuel purchased in a foreign trade zone is exempt from state taxation for those flights that are bound for an out-of-state or foreign destination. Because these flights are considered within interstate or foreign commerce, taxation is exempt pursuant to federal law. There is no corresponding exemption for inter-island flights because these flights are not considered to be in foreign or interstate commerce for tax purposes.

#### **I. SUBSTANTIVE COMMENTS.**

The Department appreciates the amendments made by the prior committees that included a workable definition of inter-island flight, which defines the appropriate commerce to carry out the

**LATE**

intent of the measure as "two points between the State." This definition, coupled with the appropriate tax exemptions in the relevant tax chapters, makes this legislation technically accurate.

## **II. REVENUE IMPACT.**

After considering recent additional information regarding aviation fuel sale data, it is the Department's position that this legislation will result in a revenue loss of approximately:

- \$5.1 million loss, FY2009.
- \$5.3 million loss, FY2010.
- \$5.5 million loss, FY2011.

**TESTIMONY OF KEONI WAGNER ON BEHALF OF HAWAIIAN AIRLINES  
IN SUPPORT OF H.B. NO. 2860, HD 2, RELATING TO TAXATION**

March 10, 2008

To: Chairman J. Kalani English and Members of the Senate Committee on Transportation and International Affairs:

My name is Keoni Wagner and I am the Vice President for Public Affairs for Hawaiian Airlines presenting this testimony on behalf of Hawaiian Airlines in support of H.B. No. 2860, HD 2.

This bill provides an exemption from state general excise and use taxes on fuel purchased from a foreign trade zone (FTZ) and used for interisland air transportation within the State of Hawaii. The state currently exempts from these taxes all fuel sold from an FTZ that is used for flights between Hawaii and the mainland or international destinations. We continue to believe that this same exemption should apply to interisland flights and respectfully request that legislation be passed to make this exemption more explicit.

Thank you for the opportunity to testify on this measure.

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