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## A BILL FOR AN ACT

RELATING TO ALCOHOL FUELS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to improve Hawaii's  
2 economic and energy security position by establishing a  
3 preference for locally produced alcohol fuels.

4           The preference is established by shifting the benefits  
5 conferred under existing law to "locally produced alcohol fuels"  
6 and allocating the general excise tax exemption for alcohol  
7 fuels as a function of local alcohol fuel production capacity  
8 under the renewable fuel standard. Thus, when local production  
9 capacity meets one hundred per cent of the renewable fuel  
10 standard, the fuel tax exemption will only apply to locally  
11 produced alcohol fuels.

12           This Act is intended to expand the local production of  
13 alcohol fuels necessary to meet Hawaii's renewable fuel  
14 objectives and reduce state expenditures on ethanol imports.

15           SECTION 2. Section 237-27.1, Hawaii Revised Statutes, is  
16 amended to read as follows:

17           "§237-27.1 Exemption of sale of alcohol fuels. (a) There  
18 shall be exempted from, and excluded from the measure of, the



1 taxes imposed by this chapter all of the gross income or gross  
2 proceeds arising from the sale of alcohol fuels, as defined in  
3 subsection (b), for consumption or use by the purchaser and not  
4 for resale. The exemption shall apply to alcohol fuels utilized  
5 to meet the State's renewable fuel standard and shall be  
6 administered based on the local alcohol fuel production capacity  
7 for that tax year, as determined by the department of business,  
8 economic development, and tourism.

9 (b) For the purposes of this section, [~~"alcohol fuels"~~]  
10 "Alcohol fuels means neat biomass-derived alcohol liquid  
11 fuel or a petroleum-derived fuel and alcohol liquid fuel mixture  
12 consisting of at least ten volume per cent denatured biomass-  
13 derived alcohol commercially usable as a fuel to power aircraft,  
14 seacraft, spacecraft, motor vehicles, or other motorized  
15 vehicles.

16 "Input materials" include biomass feedstock and the  
17 chemical inputs required for conversion of the biomass feedstock  
18 into alcohol fuel.

19 "Local alcohol fuel production" or "local production" or  
20 "locally produced" means alcohol fuel in which at least seventy  
21 five per cent of the total inputted materials in the alcohol  
22 fuel are produced and purchased within the State.



1       "Non-locally produced alcohol fuel" or "non-locally  
2 produced" means alcohol fuel that has less than seventy five per  
3 cent of the total inputted materials in the alcohol fuel,  
4 produced and purchased within the State. The percentage  
5 composition of alcohol fuel shall be declared by the alcohol  
6 fuel distributor at the point of sale to the retailer and  
7 documented on sales receipts.

8       (c) This section shall be administered as follows:

9       (1) If local production capacity reaches twenty five per  
10 cent of the renewable fuel standard, fuels blended  
11 with non-locally produced alcohol fuels shall be  
12 exempt for not more than seventy five per cent of the  
13 renewable fuel standard;

14       (2) If local production capacity reaches fifty per cent of  
15 the renewable fuel standard, fuels blended with non-  
16 locally produced alcohol fuels shall be exempt for not  
17 more than fifty per cent of the renewable fuel  
18 standard;

19       (3) If local production capacity reaches seventy five per  
20 cent of the renewable fuel standard, fuels blended  
21 with non-locally produced alcohol fuels shall be



1           exempt for not more than twenty five per cent of the  
2           renewable fuel standard; and

3           (4) If local production capacity reaches one hundred per  
4           cent of the renewable fuel standard, only locally  
5           produced alcohol fuels shall qualify for the  
6           exemption.

7           (d) Retail fuel distributors shall meet the requirements  
8           of the Hawaii renewable fuel standard and report to the energy  
9           resources coordinator pursuant to law. Producers and  
10           distributors shall be required to designate alcohol fuel sales  
11           as locally or non-locally produced. The percentage composition  
12           of alcohol fuel sold shall be declared by the alcohol producer  
13           at the point of sale to distributor or retailer and documented  
14           on sales receipts.

15           ~~[(e)]~~ (e) A producer, wholesaler, or retailer of alcohol  
16           fuels shall pass any savings realized from this exemption on to  
17           the end consumer. Any producer or wholesaler who violates this  
18           subsection shall be subject to a fine of \$100,000.

19           Notwithstanding any law to the contrary, a violation of this  
20           subsection shall be deemed an unfair or deceptive act or  
21           practice in violation of, and enforceable under, chapter 480.



1            [~~(d)~~] (f) The director of taxation shall adopt rules  
2 pursuant to chapter 91 necessary to administer this section."

3            SECTION 3. Act 209 Session Laws of Hawaii, 2007 is amended  
4 by amending section 6 to read as follows:

5            "SECTION 6. This Act shall take effect on July 1, 2007;  
6 provided that section 2 of this Act shall be repealed on June  
7 30, [~~2009~~] 2015."

8            SECTION 4. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10           SECTION 5. This Act shall take effect upon its approval  
11 and shall apply to taxable years beginning after December 31,  
12 2008.

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INTRODUCED BY: Calvin K. Day  
(By Request)

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**Report Title:**

Alcohol Fuels; Renewable Fuel Standard

**Description:**

Improve Hawaii's economic and energy security position by establishing a preference for locally produced alcohol fuels.

