
A BILL FOR AN ACT

RELATING TO BIODIESEL.

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

1 SECTION 1. Chapter 171, Hawaii Revised Statutes, is
2 amended by adding a new subpart to part III to be appropriately
3 designated and to read as follows:

4 " . Crops Used in the Production of Biodiesel Fuel

5 §171- Definitions. As used in this subpart:

6 "Biodiesel" means a vegetable oil-based fuel that meets
7 ASTM International Standard D6751, "Standard Specification for
8 Biodiesel Fuel (B100) Blend Stock for Distillate Fuels", as
9 amended.

10 "Eligible lessee" means a person who is:

- 11 (1) Engaged or proposing to engage in an agricultural use
12 by growing qualified crops; and
13 (2) Qualified to lease public lands under this chapter.

14 "Qualified crops" means those agricultural crops having
15 vegetable oil content that is suitable for bioconversion into
16 biodiesel fuel, including soy, corn, bean, nut, olive, canola,
17 sunflower, and other crops and their seeds.



1 §171- Lease of agricultural lands for crops used in the
2 production of biodiesel fuel. The board may lease, by direct
3 negotiation and without recourse to public auction, public
4 agricultural lands to eligible lessees; provided that:

5 (1) The terms of the lease entered into between the board
6 and an eligible lessee shall incorporate appropriate
7 restrictions on the use of the land, ensuring that the
8 land is used for agricultural purposes and that
9 qualified crops are grown; provided further that
10 nothing in this subpart shall affect an eligible
11 lessee's use of the land for personal residence
12 purposes, if allowed by relevant land use laws; and

13 (2) The qualified crops grown on the leased public lands
14 shall be sold, exchanged, bartered, traded, or
15 otherwise transferred in exchange for consideration to
16 oil seed processing facilities or biodiesel
17 producers."

18 SECTION 2. Section 103D-1012, Hawaii Revised Statutes, is
19 amended by amending subsections (a), (b), and (c) to read as
20 follows:

21 "(a) Notwithstanding any other law to the contrary,
22 contracts for the purchase of diesel fuel or boiler fuel shall



1 be awarded to the lowest responsible and responsive bidders,
2 with preference given to bids for [~~biofuels or blends of biofuel~~
3 ~~and petroleum fuel.~~] biodiesel blends that contain up to twenty
4 per cent biodiesel that is produced in the State from feedstock
5 grown in the State.

6 (b) When purchasing fuel for use in diesel engines, the
7 preference shall be [~~five~~]:

8 (1) Fifty cents per gallon of [~~one hundred per cent~~
9 biodiesel. For blends containing both biodiesel and
10 petroleum-based diesel, the preference shall be
11 applied only to the biodiesel portion of the blend.]
12 twenty per cent biodiesel (B20);

13 (2) Twenty-five cents per gallon of ten per cent biodiesel
14 (B10); and

15 (3) Twelve and one-half cents per gallon of five per cent
16 biodiesel (B5).

17 The preference shall be applied only to the biodiesel portion of
18 the blend.

19 (c) When purchasing fuel for use in boilers, the
20 preference shall be [~~five~~]:

21 (1) Fifty cents per gallon of [~~one hundred per cent~~
22 biofuel. For blends containing both biofuel and



1 ~~petroleum based boiler fuel, the preference shall be~~
2 ~~applied only to the biofuel portion of the blend.]~~
3 twenty per cent biodiesel (B20);

4 (2) Twenty-five cents per gallon of ten per cent biodiesel
5 (B10); and

6 (3) Twelve and one-half cents per gallon of five per cent
7 biodiesel (B5).

8 The preference shall be applied only to the biofuel portion of
9 the blend."

10 SECTION 3. Section 235-7, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) There shall be excluded from gross income, adjusted
13 gross income, and taxable income:

14 (1) Income not subject to taxation by the State under the
15 Constitution and laws of the United States;

16 (2) Rights, benefits, and other income exempted from
17 taxation by section 88-91, having to do with the state
18 retirement system, and the rights, benefits, and other
19 income, comparable to the rights, benefits, and other
20 income exempted by section 88-91, under any other
21 public retirement system;



- 1 (3) Any compensation received in the form of a pension for
2 past services;
- 3 (4) Compensation paid to a patient affected with Hansen's
4 disease employed by the State or the United States in
5 any hospital, settlement, or place for the treatment
6 of Hansen's disease;
- 7 (5) Except as otherwise expressly provided, payments made
8 by the United States or this State, under an act of
9 Congress or a law of this State, which by express
10 provision or administrative regulation or
11 interpretation are exempt from both the normal and
12 surtaxes of the United States, even though not so
13 exempted by the Internal Revenue Code itself;
- 14 (6) Any income expressly exempted or excluded from the
15 measure of the tax imposed by this chapter by any
16 other law of the State, it being the intent of this
17 chapter not to repeal or supersede any express
18 exemption or exclusion;
- 19 (7) Income received by each member of the reserve
20 components of the Army, Navy, Air Force, Marine Corps,
21 or Coast Guard of the United States of America, and
22 the Hawaii national guard as compensation for



1 performance of duty, equivalent to pay received for
2 forty-eight drills (equivalent of twelve weekends) and
3 fifteen days of annual duty, at an:

4 (A) E-1 pay grade after eight years of service;
5 provided that this subparagraph shall apply to
6 taxable years beginning after December 31, 2004;

7 (B) E-2 pay grade after eight years of service;
8 provided that this subparagraph shall apply to
9 taxable years beginning after December 31, 2005;

10 (C) E-3 pay grade after eight years of service;
11 provided that this subparagraph shall apply to
12 taxable years beginning after December 31, 2006;

13 (D) E-4 pay grade after eight years of service;
14 provided that this subparagraph shall apply to
15 taxable years beginning after December 31, 2007;
16 and

17 (E) E-5 pay grade after eight years of service;
18 provided that this subparagraph shall apply to
19 taxable years beginning after December 31, 2008;

20 (8) Income derived from the operation of ships or aircraft
21 if the income is exempt under the Internal Revenue
22 Code pursuant to the provisions of an income tax



- 1 treaty or agreement entered into by and between the
2 United States and a foreign country; provided that the
3 tax laws of the local governments of that country
4 reciprocally exempt from the application of all of
5 their net income taxes, the income derived from the
6 operation of ships or aircraft that are documented or
7 registered under the laws of the United States;
- 8 (9) The value of legal services provided by a prepaid
9 legal service plan to a taxpayer, the taxpayer's
10 spouse, and the taxpayer's dependents;
- 11 (10) Amounts paid, directly or indirectly, by a prepaid
12 legal service plan to a taxpayer as payment or
13 reimbursement for the provision of legal services to
14 the taxpayer, the taxpayer's spouse, and the
15 taxpayer's dependents;
- 16 (11) Contributions by an employer to a prepaid legal
17 service plan for compensation (through insurance or
18 otherwise) to the employer's employees for the costs
19 of legal services incurred by the employer's
20 employees, their spouses, and their dependents;
- 21 (12) Amounts received in the form of a monthly surcharge by
22 a utility acting on behalf of an affected utility



1 under section 269-16.3 shall not be gross income,
 2 adjusted gross income, or taxable income for the
 3 acting utility under this chapter. Any amounts
 4 retained by the acting utility for collection or other
 5 costs shall not be included in this exemption; [and]

6 (13) One hundred per cent of the gain realized by a fee
 7 simple owner from the sale of a leased fee interest in
 8 units within a condominium project, cooperative
 9 project, or planned unit development to the
 10 association of owners under chapter 514A or 514B, or
 11 the residential cooperative corporation of the
 12 leasehold units.

13 For purposes of this paragraph:

14 ~~["Fee simple owner" shall have the same meaning~~
 15 ~~as provided under section 516-1; provided that it~~
 16 ~~shall include legal and equitable owners;~~

17 ~~"Legal and equitable owner", and "leased fee~~
 18 ~~interest" shall have the same meanings as provided~~
 19 ~~under section 516-1; and]~~

20 "Condominium project" and "cooperative project"
 21 shall have the same meanings as provided under section
 22 514C-1.



1 "Fee simple owner" shall have the same meaning as
2 provided under section 516-1; provided that it shall
3 include legal and equitable owners.

4 "Legal and equitable owner" and "leased fee
5 interest" shall have the same meanings as provided
6 under section 516-1; and

7 (14) One hundred per cent of income derived from the
8 operation of an oil seed crushing facility that
9 processes oil seed produced or grown in the State for
10 biodiesel production in the State.

11 As used in this paragraph:

12 "Biodiesel" means a vegetable oil-based fuel that
13 meets ASTM International Standard D6751, "Standard
14 Specification for Biodiesel Fuel (B100) Blend Stock
15 for Distillate Fuels", as amended.

16 "Biodiesel production facility" means a facility
17 that processes feedstock to produce biodiesel.

18 "Oil seed crushing facility" means a facility
19 that processes oil seed that is grown in the State,
20 including soy, corn, bean, nut, olive, canola,
21 mustard, and sunflower and other crops and their
22 seeds, to be used as biomass to produce biodiesel."



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on January 1, 2010;
4 provided that the amendments made to section 235-7(a), Hawaii
5 Revised Statutes, by section 3 of this Act, shall not be
6 repealed when that section is repealed and reenacted on
7 January 1, 2013, pursuant to section 3 of Act 166, Session Laws
8 of Hawaii 2007.

9

INTRODUCED BY: Mele Carroll
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JAN 23 2009



Report Title:

Biodiesel; Market Stimulation

Description:

Provides various market stimulation incentives for the development of biodiesel, including making state agricultural lands available for biodiesel fuel crops.

