

Honolulu, Hawaii

Feb 18, 2009

RE: H.B. No. 142

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 142 entitled:

"A BILL FOR AN ACT RELATING TO INTRA-STATE AVIATION,"

begs leave to report as follows:

The purpose of this bill is to exempt aviation fuel from the general excise tax (GET) and use tax when it is purchased from within a foreign-trade zone by a common carrier for use in intra-state transportation.

The Chamber of Commerce of Hawaii and Island Air testified in support of this bill. Hawaiian Airlines supported the intent of this measure. The Department of Taxation (DOTAX) and Tax Foundation of Hawaii commented on this measure.

A healthy interisland airline industry is vital to the State's economy. However, Hawaii's interisland airlines continue to face severe financial challenges, challenges that resulted in the recent demise of an interisland carrier that served the people of Hawaii for decades. The volatile fuel market over the past few years, including the wild fluctuation of jet fuel prices, has been of particular concern for the airline industry in general.

Your Committee finds that this measure attempts to create a level playing field and create a fairer market for all airlines since sales of fuel sold from a foreign-trade zone for use by airlines traveling out of the State of Hawaii are exempt from GET



and use taxes, while fuel purchased from a foreign-trade zone that is used for interisland travel is not exempt from these taxes.

Although your Committee understands the concerns raised by DOTAX regarding potential lost revenue, this matter warrants further discussion.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 142 and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Transportation,

  
\_\_\_\_\_  
JOSEPH M. SOUKI, Chair



State of Hawaii  
House of Representatives  
The Twenty-fifth Legislature

HSUR 287

**Record of Votes of the Committee on Transportation**

<b>Bill/Resolution No.:</b> HB 142	<b>Committee Referral:</b> TRN, FIN	<b>Date:</b> 2/9/09		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. SOUKI, Joseph M. (C)	✓			
2. AWANA, Karen Leinani (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. HANOHANO, Faye P.	✓			
5. KEITH-AGARAN, Gilbert S.C.	✓			
6. LEE, Marilyn B.	✓			
7. NAKASHIMA, Mark M.	✓			
8. RHOADS, Karl	✓			
9. SAIKI, Scott K.	✓			
10. TAKUMI, Roy M.	✓			
11. YAMASHITA, Kyle T.	✓			
12. PINE, Kymberly Marcos				✓
<b>TOTAL (12)</b>	11			1
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee member(s) did not support recommendation.				
<b>Vice Chair's or designee's signature:</b> <i>Karen Awana</i>				
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