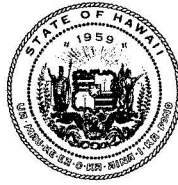


LINDA LINGLE
GOVERNOR

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

**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
TESTIMONY REGARDING HB 521
RELATING TO FUEL TAX**

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

DATE: FEBRUARY 3, 2009

TIME: 9:00AM

ROOM: 325

This measure clarifies the effective date of Act 209, Session Laws of Hawaii 2007, to ensure that its amendments to the fuel tax do not inadvertently repeal when Act 103, Session Laws of Hawaii 2007, repeals on December 31, 2009.

The Department of Taxation (Department) takes **no position** on this measure.

The Department appreciates that this measure clarifies the Legislature's intent in enacting two separate amendments to the same section in Chapter 243 during the 2007 Regular Session.

The Department suggests that the interested subject matter committees track this measure with HB 371 this session, which eliminates the repeal date that precipitates this measure's clarification. If HB 371 or similar measure passes the legislature, this measure will be unnecessary.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Clarify rate on liquid fuel

BILL NUMBER: HB 521

INTRODUCED BY: Say and Magaoay

BRIEF SUMMARY: Amends Act 209, SLH 2007, to provide that amendments made to HRS section 243-4(a) shall not be repealed when HRS section 243-4(a) is reenacted on December 31, 2009 pursuant to Act 103, SLH 2007.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature by Act 209, SLH 2007, reenacted a general excise tax exemption for the sale of alcohol fuels which expired December 31, 2006. Although Act 209 took effect on July 1, 2007, it also increased the state fuel tax by one cent per gallon, including each gallon of diesel oil. The 2007 legislature by Act 103, also provided that naphtha used in a power generating facility shall be taxed at the rate of one cent per gallon. While Act 103 contains reenactment provisions, the proposed measure clarifies that the 1 cent increase in the state fuel tax fuel tax enacted by Act 209, SLH 2007, shall remain in effect after December 31, 2009 when the reenactment provisions of Act 103, SLH 2007 are scheduled to take effect.

Digested 2/2/09

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HC