

STAND. COM. REP. NO.

607

Honolulu, Hawaii

MAR 06 2009

RE: S.B. No. 32
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 32, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO FUEL,"

begs leave to report as follows:

The purpose of this measure is to make permanent the general excise tax exemption on gross income or proceeds from the sale of alcohol fuels.

Your Committee received one written comment on this measure. Copies of written comments submitted are available for review on the Legislature's website.

Your Committee finds that section 2 of Act 209, Session Laws of Hawaii 2007 exempted gross income or proceeds from the sales of alcohol fuels from the general excise tax. The Act also required producers, wholesalers, and retailers of alcohol fuels to pass on their savings from the tax exemption to consumers. Since all motor vehicle fuel sold in the State is required to have a ten per cent ethanol content, the tax exemption amounted to a small reduction in the price of transportation fuels at a time when consumers were facing record fuel prices. Section 2 of Act 209 will sunset on July 1, 2009, at which time, the gross income or proceeds from the sales of alcohol fuels will no longer be exempt from the general excise tax.

Your Committee recognizes that the repeal of the general excise tax exemption on alcohol fuels evokes two compelling points

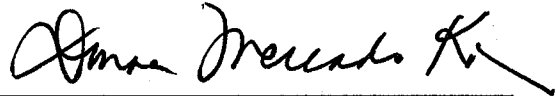
SB32 SD1 SSCR LRB 09-2651.doc



of view. On one hand, repealing the exemption will prevent additional revenue loss for the State at a time when overall tax revenues are decreasing. It has also been suggested that a higher price for motor vehicle fuels will help steer residents toward more energy efficient choices, such as alternative energy vehicles and fuel conservation. On the other hand, despite recent declines in fuel prices from 2008 record peaks, Hawaii residents still pay some of the highest transportation fuel prices in the nation, and repealing the tax exemption would only add to those already high prices. Your Committee believes that both positions have merit and that this issue deserves further serious discussion.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 32, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 32 SD1</i>	<i>ENE, WAM</i>	<i>2/26/09</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
TSUTSUI, Shan S. (VC)				✓
CHUN OAKLAND, Suzanne	✓			
ENGLISH, J. Kalani	✓			
FUKUNAGA, Carol	✓			
GALUTERIA, Brickwood	✓			
HEE, Clayton				✓
HOOSER, Gary L.	✓			
KIDANI, Michelle N.	✓			
KOKUBUN, Russell S.	✓			
TOKUDA, Jill N.	✓			
HEMMINGS, Fred	✓			
TOTAL	<i>10</i>			<i>2</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Ray L. Han</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes