

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempt intra-county ferry service

BILL NUMBER: SB 37, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Adds a new section to HRS chapter 237 to provide that the general excise tax and the fuel tax, respectively, shall not be imposed on the sale of liquid fuel used by an intra-county ferry service that serves a county with a population of less than 500,000 residents and includes at least three islands inhabited by permanent residents.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: While the legislature by Act 57, SLH 2008, adopted a fuel tax exemption, this measure proposes a similar general excise tax exemption on the sale of such fuel. If this measure is proposed to reduce the cost of ferry operations, it is questionable whether the proposed exemption alone will reduce the price of the ferry operations to make it possible to operate on a regular basis. On the other hand, one has to question the precedent this proposal sets and begs a response for other intra-island modes of transportation.

Digested 3/16/09