

TESTIMONY

SB 37

LINDA LINGLE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
LAURA H. THIELEN
Chairperson

Before the Senate Committees on
WATER, LAND, AGRICULTURE AND HAWAIIAN AFFAIRS
and
TRANSPORTATION, INTERNATIONAL AND INTERGOVERNMENTAL AFFAIRS

Monday, February 2, 2009
2:45 PM
State Capitol, Conference Room 229

In consideration of
SENATE BILL 37
RELATING TO INTRA-COUNTY FERRY SERVICE

Senate Bill 37 proposes to require the Department of Land and Natural Resources (Department) to assign priority mooring space to intra-county ferries serving a county with 500,000 or less people and at least three island inhabited by permanent resident. This bill would also exempt proceeds from the sale of liquid fuel to intra-county ferry operations from general excise tax and exempt distributors from fuel tax for fuel sold for ultimate use by the intra-county ferry Service. The Department takes no position on this bill but rather notes that SECTION 2 relating to assignment of priority mooring to intra-county ferries has already been mandated by law by way of Act 57, Session Laws of Hawaii 2008. As such, the Department defers to the Department of Taxation on the other pertinent aspects of Senate Bill 37.

LAURA H. THIELEN
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

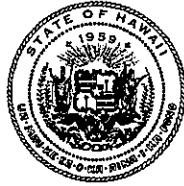
RUSSELL Y. TSUJI
FIRST DEPUTY

KEN C. KAWAHARA
DEPUTY DIRECTOR - WATER

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BOATING AND OCEAN RECREATION
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KAILOLAWE ISLAND RESERVE COMMISSION
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**SENATE COMMITTEE ON WATER, LAND, AGRICULTURE & HAWAIIAN
AFFAIRS AND TRANSPORTATION, INTERNATIONAL & INTERGOVERNMENTAL
AFFAIRS**

**TESTIMONY REGARDING SB 37
RELATING TO INTRA-COUNTY FERRY SERVICE**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 2, 2009
TIME: 2:45PM
ROOM: 229

This legislation, among other things, provides a fuel tax and general excise tax (GET) exemption for fuel sold to an intra-county ferry service.

The Department of Taxation (Department) opposes this measure due to its fiscal implications and certain provisions are already law.

I. TRANSPORTATION ALTERNATIVES ARE IMPORTANT.

The Department recognizes the transportation infrastructure limitations currently experienced in Maui County. Providing additional transportation methods is an issue worth pursuing. However, given the current budget projections, the Legislature should consider these measures at a later date.

II. CANNOT SUPPORT THE FISCAL IMPACT AT THIS TIME.

The Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

III. SECTION 4 IS ALREADY LAW.

The Department points out that half of this measure is already law. Last session, the Governor signed into law Act 57, which provided a fuel tax exemption for the sale of fuel used for

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intra-island ferry service. This Act amended HRS § 243-7 in Senate Bill 2816 from 2008.

IV. REVENUE ESTIMATE

This legislation will result in a revenue loss to the general fund in the amount of \$67,500 per year.

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SUBJECT: GENERAL EXCISE, FUEL, Exempt intra-county ferry service

BILL NUMBER: SB 37

INTRODUCED BY: Baker, English and Tsutsui

BRIEF SUMMARY: Adds a new section to HRS chapter 237 and amends HRS section 243-7 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.

Makes a nontax amendment that directs the department of land and natural resources to assign priority mooring space to any intra-county ferry service as delineated.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: While this measure proposes a general excise and fuel tax exemption on fuel sold to an intra-island ferry operating between Lanai and Maui, it should be noted that the legislature by Act 57, SLH 2008, already adopted a fuel tax exemption as proposed in this measure.

While it appears that the measure proposes a similar general excise tax exemption on the sale of such fuel, 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 1/30/09

TESTIMONY

SB 37

(END)