

STAND. COM. REP. NO.

928

Honolulu, Hawaii

MAR 24 2011

RE: H.B. No. 123
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committees on Transportation and International Affairs and Economic Development and Technology, to which was referred H.B. No. 123, H.D. 2, entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to provide a general excise tax exemption for the sale of aviation fuel for air transportation.

Your Committees received comments on this measure from the Department of Taxation, Hawaiian Airlines, Tax Foundation of Hawaii, and one individual. Your Committees received testimony in opposition to this measure from one individual.

This measure applies to aviation fuel that is categorized as privileged foreign merchandise, nonprivileged foreign merchandise, domestic merchandise, or zone-restricted merchandise that is admitted into a foreign-trade zone and purchased by a common carrier for consumption or use in air transportation between two points in the State.

Airline fuel that is purchased in a foreign-trade zone and used by airlines traveling out of the State of Hawaii is exempt from general excise and use taxes; however, airlines on intrastate flights are not exempt. To the extent that these general excise and use taxes apply to intrastate flights, they only exacerbate



the economic problems that are faced by airlines operating within Hawaii.

Your Committees find that that a healthy inter-island airline industry is vital to the State's economy. Hawaii's inter-island airlines continue to face severe financial challenges. Fuel costs in particular have skyrocketed and grown volatile in recent years. In fact, for most airlines, the cost of fuel has surpassed labor as the leading operating cost.

Your Committees further find that the effect of providing common carriers with an exemption from general excise and use taxes for fuel purchased from a foreign-trade zone and used for inter-island flights would be to create a level playing field for all airlines.

Your Committees have amended this measure by changing the effective date to apply to gross income or gross proceeds received after June 30, 2011, from the sale of aviation fuel for air transportation.

As affirmed by the records of votes of the members of your Committees on Transportation and International Affairs and Economic Development and Technology that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 123, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 123, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Transportation
and International Affairs and
Economic Development and
Technology,


CAROL FUKUNAGA, Chair


J. KALANI ENGLISH, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* HB123, HD2	Committee Referral: TIA/EDT, WAM	Date: 3/23/11		
<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 type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
WAKAI, Glenn (VC)	✓			
BAKER, Rosalyn H.	✓			
SOLOMON, Malama		✓		
SLOM, Sam				✓
TOTAL	3	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes