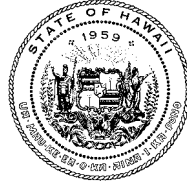


NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



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RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, February 8, 2012
Time: 9:00 A.M.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S. B. 2346, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S. B. 2346 and offers the following information and comments for your consideration.

S. B. 2346 proposes to repeal the state portion of the liquid fuel tax and increase the vehicle weight tax. The Department notes that to be revenue-neutral, the vehicle weight tax must increase by a large margin. Also, it should be noted that the liquid fuel tax is collected incrementally as fuel purchases are made, whereas individuals pay for their motor vehicle registration fee in one lump sum on an annual basis. The different timing in the collection of revenue may cause problems for both the individual payee and the state highway fund.

Thank you for the opportunity to provide comments.



February 8, 2012

**TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS & MEANS
ON SB 2346 RELATING TO TAXATION**

Thank you Chair Ige and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) with over 400 transportation related members throughout the state of Hawaii.

Hawaii Transportation Association opposes this bill.

Today's revenue sources offers a mix of fixed and variable costs for vehicle operations. This strikes a balance as it gains revenue from operations that have high travel mileage and those that do not.

The fuel tax is actually favored as it is directly linked to productivity - use the truck / bus and pay for the fuel and the accompanying fuel tax.

However, the weight tax is a fixed expense that must be paid whether the vehicle works or not. This will force motor carriers to pare their fleet to a minimum size. ***You cannot even get a refund of the weight tax if you need to reduce your fleet in the middle of the registration period.***

Fleet reductions to minimize cost will reduce the motor carrier's ability to respond to spikes in transportation demand.

Imagine having a huge convention and not being able to transport everyone in a timely manner. Imagine cargo stacking up at the harbors with stores, hotels, and restaurants not being able to get their products and provisions when they need.

Hawaii is an extreme "just in time" operation, and employing solely the weight tax to fund highway needs will end up creating havoc for everyone.

Thank you.



HFN
MAUI PETROLEUM
HAWAII PETROLEUM

Around the corner. Across the neighbor islands.

February 7, 2012

The Honorable David Y. Ige
Hawaii State Capitol, Room 211
415 South Beretania St.
Honolulu, HI. 96813

Dear Senator David Y. Ige

We would like to take this opportunity to communicate our opposition to SB 2346 Relating to Taxation. It is our position that the current system in place is the most equitable structure possible, because it is a use tax. Only those who use fuel pay the tax. The vehicle weight tax does not take into account how many miles each vehicle travels and it impact on the roads and highways.

Sincerely,

Mark L. Leong
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Maui Petroleum Inc.

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, MOTOR VEHICLE, Increase state motor vehicle registration fee; repeal state fuel tax

BILL NUMBER: SB 2346

INTRODUCED BY: Ige

BRIEF SUMMARY: Amends HRS section 243-4 to delete any reference to the 17 cent state fuel tax effective January 1, 2013.

Amends HRS section 249-33 to provide that on January 1, 2013, the state motor vehicle weight tax shall be ____ cents a pound for motor vehicles weighing up to and including 4,000 pounds; ____ cents a pound for motor vehicles weighing over 4,000 pounds and up to 7,000 pounds; ____ cents a pound for vehicles weighing over 7,000 pounds and up to 10,000 pounds; and \$_____ for motor vehicles weighing over 10,000 pounds.

Requires the state and any counties to establish a process to phase in the collection of the increased vehicle weight tax imposed under this act by allowing vehicle weight taxpayers to pay the state vehicle weight tax in installments; provided that the installments occur not more frequently than quarterly in a fiscal year.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure proposes to repeal the 17 cent state fuel tax on January 1, 2013 and increase the state motor vehicle weight tax to replace the revenues attributable to the state fuel tax if the state fuel tax had been imposed. Based on calendar 2010 data, \$69.0 million was collected from the state fuel tax which, under this proposal, would have to be made up by increasing the state motor vehicle weight tax. In 2010, there were approximately 1.15 million registered vehicles in the state which would result in an average increase in the state motor vehicle registration fee of roughly \$60 more per vehicle. However, it should be noted that the motor vehicle registration fee is comprised of the state fee, county fee, county weight tax, beautification fee along with the state weight tax so any increase in any of these fees or taxes could result in a hefty motor vehicle registration fee.

Those who are unfamiliar with the motor vehicle taxes all of which are earmarked for the construction and repair of the state and county highways, the major three sources reflect the motorist's use of the highway system. The fuel tax is a per unit tax imposed as a number of cents per gallon of fuel purchased. Consumption of fuel is a measure of how often or how much the motorist uses the highways - the more gallons consumed reflects the number of miles driven over the public roads. The weight tax is a measurement of how much wear and tear the motorist's vehicle incurs on the public roads - the heavier the vehicle the more wear and tear caused on the road's surface. The registration fee, which is so many dollars per vehicle, can be viewed as an admission charge - a ticket that allows the motorist's vehicle on the public roads.

Thus, doing away with the fuel tax removes the measurement of how much a motorist uses the public roads. Shifting that burden solely to the weight tax discriminates against those motorists who make only minimal use of the public highways. Take, for example, two motorists who own the same make and model of a vehicle, one living in Waianae and one living on Punchbowl. Both work at the state department of health on Punchbowl and Beretania Streets. The employee who lives on Punchbowl walks to work using her vehicle only on weekends to do grocery shopping. The other employee commutes from Waianae every day to her job at the health department. Under this proposal, both motorists would be paying the same highway user fee even though their actual use of the public roads is vastly different.

While this proposal may be predicated on an effort to reduce the cost of fuel, the cost of fuel and the use of the public highways are two separate and distinct issues and the purpose of each should not be confused.

Digested 2/3/12