

S.B. NO. 2938

JAN 27 2016

---

A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

LIQUID FUEL TAX

SECTION 1. Section 243-4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Every distributor shall, in addition to any other taxes provided by law, pay a license tax to the department of taxation for each gallon of liquid fuel refined, manufactured, produced, or compounded by the distributor and sold or used by the distributor in the State or imported by the distributor, or acquired by the distributor from persons who are not licensed distributors, and sold or used by the distributor in the State. Any person who sells or uses any liquid fuel knowing that the distributor from whom it was originally purchased has not paid and is not paying the tax thereon shall pay such tax as would have applied to such sale or use by the distributor. The rates of tax hereby imposed are as follows:

(1) For each gallon of diesel oil, [~~1-cent~~] 2 cents;

S.B. NO. 2938

- 1           (2) For each gallon of gasoline or other aviation fuel  
2                   sold for use in or used for airplanes, [~~1-cent,~~] 2  
3                   cents;
- 4           (3) For each gallon of liquid fuel other than fuel  
5                   mentioned in paragraphs (1) and (2), and other than an  
6                   alternative fuel, sold or used in the city and county  
7                   of Honolulu, or sold in any county for ultimate use in  
8                   the city and county of Honolulu, [~~16~~] 19 cents state  
9                   tax, and in addition thereto such amount, to be known  
10                  as the "city and county of Honolulu fuel tax", as  
11                  shall be levied pursuant to section 243-5;
- 12          (4) For each gallon of liquid fuel other than fuel  
13                  mentioned in paragraphs (1) and (2), and other than an  
14                  alternative fuel, sold or used in the county of  
15                  Hawaii, or sold in any county for ultimate use in the  
16                  county of Hawaii, [~~16~~] 19 cents state tax, and in  
17                  addition thereto such amount, to be known as the  
18                  "county of Hawaii fuel tax", as shall be levied  
19                  pursuant to section 243-5;
- 20          (5) For each gallon of liquid fuel other than fuel  
21                  mentioned in paragraphs (1) and (2), and other than an  
22                  alternative fuel, sold or used in the county of Maui,

1 or sold in any county for ultimate use in the county  
2 of Maui, [~~16~~] 19 cents state tax, and in addition  
3 thereto such amount, to be known as the "county of  
4 Maui fuel tax", as shall be levied pursuant to section  
5 243-5; and

6 (6) For each gallon of liquid fuel, other than fuel  
7 mentioned in paragraphs (1) and (2), and other than an  
8 alternative fuel, sold or used in the county of Kauai,  
9 or sold in any county for ultimate use in the county  
10 of Kauai, [~~16~~] 19 cents state tax, and in addition  
11 thereto such amount, to be known as the "county of  
12 Kauai fuel tax", as shall be levied pursuant to  
13 section 243-5.

14 If it is shown to the satisfaction of the department, based  
15 upon proper records and from [~~such~~] other evidence as the  
16 department may require, that liquid fuel other than fuel  
17 mentioned in paragraphs (1) and (2), is used for agricultural  
18 equipment that does not operate upon the public highways of the  
19 State, the user thereof may obtain a refund of all taxes thereon  
20 imposed by this section in excess of 1 cent per gallon. The  
21 department shall adopt rules to administer such refunds."

22 PART II

1  **MOTOR VEHICLE REGISTRATION**

2          SECTION 2.  Section 249-31, Hawaii Revised Statutes, is  
3  amended to read as follows:

4          "**§249-31 State registration fee.**  (a)  All vehicles and  
5  motor vehicles in the State as defined in section 249-1,  
6  including antique motor vehicles, except as otherwise provided  
7  in sections 249-4, 249-6, and 249-31.5, shall be subject to a  
8  [~~\$45~~] \$60 annual vehicle registration fee.  The fee shall be  
9  paid each year together with all other taxes and fees levied by  
10  this chapter on a staggered basis as established by each county  
11  as authorized by section 286-51, and the state registration for  
12  that county shall likewise be staggered so that the state  
13  registration fee is due and payable at the same time and shall  
14  be collected together with the county fee.  The state  
15  registration fee shall be deemed delinquent if not paid with the  
16  county registration fee.  The respective counties shall collect  
17  this fee together with the vehicle registration tax collected  
18  for the county and shall transfer the moneys collected under  
19  this section to the State.

20          (b)  From each annual motor vehicle registration fee, the  
21  director shall deposit [~~\$40~~] \$55 into the state highway fund and  
22  \$5 into the emergency medical services special fund."

## 1 PART III

## 2 MOTOR VEHICLE WEIGHT TAX

3 SECTION 3. Section 249-33, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) All vehicles and motor vehicles in the State as  
6 defined in section 249-1, including antique motor vehicles,  
7 except as otherwise provided in sections 249-4, 249-5.5, 249-6,  
8 and 249-6.5, in addition to all other fees and taxes levied by  
9 this chapter, shall be subject to an annual state vehicle weight  
10 tax. The tax shall be levied by the county director of finance  
11 at the rate of [~~1.75~~] 2.75 cents a pound according to the net  
12 weight of each vehicle as the "net weight" is defined in section  
13 249-1 up to and including four thousand pounds net weight;  
14 vehicles over four thousand pounds and up to and including seven  
15 thousand pounds net weight shall be taxed at the rate of [~~2.00~~]  
16 3.00 cents a pound; vehicles over seven thousand pounds and up  
17 to and including ten thousand pounds net weight shall be taxed  
18 at the rate of [~~2.25~~] 3.25 cents a pound; vehicles over ten  
19 thousand pounds net weight shall be taxed at a flat rate of  
20 [~~\$300-~~] \$400."

## 21 PART IV

S .B. NO. 2938

1 SECTION 4. There is appropriated out of the state highway  
2 fund the sum of \$ or so much thereof as may be necessary for  
3 fiscal year 2016-2017 for the operations and maintenance of the  
4 state highways program.

5 The sum appropriated shall be expended by the department of  
6 transportation for the purposes of this Act.

7 SECTION 5. This Act does not affect rights and duties that  
8 matured, penalties that were incurred, and proceedings that were  
9 begun, before its effective date.

10 PART V

11 SECTION 6. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 7. This Act, upon its approval, shall take effect  
14 on July 1, 2016.

15

16

INTRODUCED BY: 

17

BY REQUEST

# S.B. NO. 2938

**Report Title:**

Transportation; Liquid Fuel Tax; Motor Vehicle; Registration;  
Weight Tax; State Highway Fund; Operations; Maintenance

**Description:**

Increases the State Fuel Tax to generate additional revenues for the State Highway Fund by amending section 243-4, Hawaii Revised Statutes. Allows for increase in the state motor vehicle registration fee and deposits the money into the State Highway Fund by amending section 249-31, Hawaii Revised Statutes. Increases the state motor vehicle weight tax and deposits the money into the State Highway Fund by amending section 249-33, Hawaii Revised Statutes.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

JUSTIFICATION SHEET

DEPARTMENT: Transportation

TITLE: A BILL FOR AN ACT RELATING TO TRANSPORTATION.

PURPOSE: To provide the Department of Transportation with the resources needed to accomplish its primary mission and goals by increasing the state fuel tax, state motor vehicle registration fee, and state motor vehicle weight tax.

MEANS: Amend sections 243-4(a), 249-31, and 249-33(a), Hawaii Revised Statutes.

JUSTIFICATION: To meet the economic needs of the State and preserve the unique quality of life of its residents and visitors to these precious islands, the Department of Transportation must provide an efficient, accessible, and sustainable inter-modal transportation system for the movement of people and goods. The state land transportation system, however, has not kept pace with our growing economy, land use development patterns, and increased demand for travel. Programmatic and project needs far exceed the available resources. The land transportation system will continue to deteriorate as demand for travel continues to increase; and costs to manage, construct, and administer the system increase.

As the average fuel economy of motor vehicles improves in accordance with the Corporate Average Fuel Economy standards and the increase in electric, plug-in hybrid electric vehicles and alternative fuel vehicles, it is clear that the current gas fuel tax is not sustainable for future highway funding. The fate of the State's ability to provide safe and efficient roadways to the public relies upon its ability to acquire the needed funding for all highway programs and projects. With the funding needs of the



State Highway Program severely outweighing the revenues being generated through the current revenue sources, more revenue generating programs need to be studied to support the State Highway Fund revenues.

The increase in revenues will provide safer infrastructure enhancements for all users including motorist, pedestrians, bicyclists, and transit users and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program.

Impact on the public: Act 188, 2012 Session Laws of Hawaii repealed the 17 cents per gallon liquid fuel tax that was enacted in Act 207, 2007 Session Laws of Hawaii on December 31, 2015 to the current 16 cents per gallon liquid fuel tax. Therefore, the Highways Division is requesting to restore the 17 cents per gallon fuel tax to maintain its current fuel tax collections from the previous fiscal years and increasing the fuel tax to 19 cents per gallon to generate additional fuel tax revenues. Each one cent per gallon increase from 16 cents per gallon to 19 cents per gallon in the state tax on liquid fuel is estimated to cost an average driver an additional \$5.50 annually per one cent increase.

In addition, Act 188, 2012 Session Laws of Hawaii repealed the two cents per gallon of diesel oil and the two cents per gallon of aviation fuel to one cent per gallon each. The Department of Transportation respectfully requests to restore both fuel taxes back to two cents per gallon.

The estimated cost impact on the motoring public is an increase of \$15.00 for each registered motor vehicle. The state motor vehicle registration fee is an annual flat rate fee.

The estimated cost impact to the motoring public for each one cent per pound increase in the state vehicle weight tax will be an additional \$35.00 annually for an average 3,500 pound vehicle.

Impact on the department and other agencies:

The state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax are the major revenue sources for the State Highway Fund. They are also the major sources of pledged revenues for the Highway Revenue Bonds. The additional revenue will positively impact the Highways Revenue Bond ratings. A higher bond rating will decrease our cost of borrowing.

The highways financial plan relies on the current revenue sources to support the continued operations and maintenance of the State Highway System. Appropriations from the State Highway Fund are used for the construction, operations, and maintenance of the State Highway System.

Any increase in this primary source of revenues for the State Highway Fund will enhance the Department's ability to construct, operate and maintain the State Highway System. This would enable an increase in the highways capital improvement program and special maintenance programs. The failure of the State to properly maintain the State Highway System may result in sanctions by the Federal Highway Administration including the loss of federal funds.

The increase in revenues will provide safer infrastructure enhancements for all users including motorists, pedestrians, bicyclists, and transit users and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program. The availability of state matching funds could result in attracting additional federal funds. The normal federal share for

projects on the interstate system is 90 percent and for other eligible roadways it is 80 percent.

GENERAL FUND: All increases in the state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax will be deposited into the state highway fund instead of the general fund.

OTHER FUNDS: The additional revenues from the state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax will be deposited into the state highway fund.

PBS PROGRAM  
DESIGNATION: TRN 595.

OTHER AFFECTED  
AGENCIES: Department of Accounting and General Services, Department of Taxation, and counties.

EFFECTIVE DATE: July 1, 2016.