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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The environmental response tax, enacted in  
2 1993, sought to create a balance between the economic benefits  
3 derived from the import of petroleum products into the State and  
4 the potential detriments such import may have on the State's  
5 natural environment. Specifically, revenues generated by the  
6 levy of the environmental response tax were to be held and  
7 expended by the State for oil spill planning, prevention,  
8 preparedness, and education, and to address potential problems  
9 created by the usage of underground fuel storage tanks.

10           In 2010, the rate of the environmental response tax, now  
11 popularly known as the "barrel tax," was increased and its uses  
12 were expanded to address the State's severe reliance on imported  
13 commodities such as fuel and food. A new distribution of barrel  
14 tax revenues was established to include funding for clean energy  
15 and environmental protection initiatives, as well as programs  
16 aimed at agricultural production and food sustainability  
17 research. Along with the funds directed to these initiatives



1 and programs, a significant amount of barrel tax revenues are  
2 also directed to the general fund. These general fund amounts  
3 have historically been greater than the sum total of funds  
4 directed for clean energy, environmental protection, and food  
5 sustainability purposes.

6 With a state budget surplus of approximately \$1,000,000,000  
7 at the end of the 2016 fiscal year, the State must reprioritize  
8 the usage of state funds to address the clean energy,  
9 environmental protection, and food sustainability issues that  
10 still plague Hawaii.

11 The purpose of this Act is to reallocate barrel tax  
12 revenues to better meet the clean energy, environmental  
13 protection, and food sustainability purposes for which the tax  
14 was originally established.

15 SECTION 2. Section 243-3.5, Hawaii Revised Statutes, is  
16 amended by amending subsections (a) and (b) to read as follows:

17 "(a) In addition to any other taxes provided by law,  
18 subject to the exemptions set forth in section 243-7, there is  
19 hereby imposed a state environmental response, energy, and food  
20 security tax on each barrel or fractional part of a barrel of  
21 petroleum product sold by a distributor to any retail dealer or



1 end user of petroleum product, other than a refiner. The tax  
2 shall be \$1.05 on each barrel or fractional part of a barrel of  
3 petroleum product that is not aviation fuel; provided that of  
4 the tax collected pursuant to this subsection:

5 (1) [~~5 cents~~] 11 per cent of the tax on each barrel shall  
6 be deposited into the environmental response revolving  
7 fund established under section 128D-2;

8 (2) [~~15 cents~~] 33 per cent of the tax on each barrel shall  
9 be deposited into the energy security special fund  
10 established under section 201-12.8;

11 (3) [~~10 cents~~] 23 per cent of the tax on each barrel shall  
12 be deposited into the energy systems development  
13 special fund established under section 304A-2169.1;  
14 and

15 (4) [~~15 cents~~] 33 per cent of the tax on each barrel shall  
16 be deposited into the agricultural development and  
17 food security special fund established under section  
18 141-10.

19 The tax imposed by this subsection shall be paid by the  
20 distributor of the petroleum product.



1           (b) In addition to subsection (a), the tax shall also be  
2 imposed on each one million British thermal units of fossil fuel  
3 sold by a distributor to any retail dealer or end user, other  
4 than a refiner, of fossil fuel. The tax shall be 19 cents on  
5 each one million British thermal units of fossil fuel; provided  
6 that of the tax collected pursuant to this subsection:

- 7           (1) [~~4.8~~] 11 per cent of the tax on each one million  
8           British thermal units shall be deposited into the  
9           environmental response revolving fund established  
10          under section 128D-2;
- 11          (2) [~~14.3~~] 33 per cent of the tax on each one million  
12          British thermal units shall be deposited into the  
13          energy security special fund established under section  
14          201-12.8;
- 15          (3) [~~9.5~~] 23 per cent of the tax on each one million  
16          British thermal units shall be deposited into the  
17          energy systems development special fund established  
18          under section 304A-2169.1; and
- 19          (4) [~~14.3~~] 33 per cent of the tax on each one million  
20          British thermal units shall be deposited into the



1 agricultural development and food security special  
2 fund established under section 141-10.

3 The tax imposed by this subsection shall be paid by the  
4 distributor of the fossil fuel."

5 SECTION 3. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act shall take effect on July 1, 2017.

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INTRODUCED BY:

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JAN 18 2017



# H.B. NO. 68

**Report Title:**

Taxation; Environmental Response, Energy, and Food Security Tax;  
Fuel Tax; Barrel Tax

**Description:**

Reallocates barrel tax revenues by increasing the distribution amounts to the environmental response revolving fund, energy security special fund, energy systems development special fund, and agricultural development and food security fund, in lieu of a distribution to the general fund.

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