

# S.B. NO. 1009

JAN 25 2017

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## A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

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

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

- 15           (1) For each gallon of diesel oil, [~~1-cent,~~] 2 cents;
- 16           (2) For each gallon of gasoline or other aviation fuel  
17                 sold for use in or used for airplanes, [~~1-cent,~~] 2  
18                 cents;

S.B. NO. 1009

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

S.B. NO. 1009

1 county of Maui, [~~16~~] 22 cents state tax, and in  
2 addition thereto an amount, to be known as the "county  
3 of Maui fuel tax", as shall be levied pursuant to  
4 section 243-5; and

5 (7) For each gallon of liquid fuel, other than fuel  
6 mentioned in paragraphs (1), (2), and (3), and other  
7 than an alternative fuel, sold or used in the county  
8 of Kauai, or sold in any county for ultimate use in  
9 the county of Kauai, [~~16~~] 22 cents state tax, and in  
10 addition thereto an amount, to be known as the "county  
11 of Kauai fuel tax", as shall be levied pursuant to  
12 section 243-5.

13 If it is shown to the satisfaction of the department, based  
14 upon proper records and from any other evidence as the  
15 department may require, that liquid fuel other than fuel  
16 mentioned in paragraphs (1), (2), and (3), is used for  
17 agricultural equipment that does not operate upon the public  
18 highways of the State, the user thereof may obtain a refund of  
19 all taxes thereon imposed by this section in excess of 1 cent  
20 per gallon. The department shall adopt rules to administer such  
21 refunds."

S.B. NO. 1009

1 SECTION 2. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 3. This Act, upon its approval, shall take effect  
4 on July 1, 2017.

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INTRODUCED BY:

MMN. M.

9

BY REQUEST

# S.B. NO. 1009

**Report Title:**

State Fuel Tax Increase

**Description:**

Increases the State Fuel Tax to generate additional revenues for the State Highway Fund by amending section 243-4(a), 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.*

# SB. NO. 1009

## JUSTIFICATION SHEET

DEPARTMENT: Transportation

TITLE: A BILL FOR AN ACT RELATING TO  
TRANSPORTATION.

PURPOSE: Increases the state fuel tax to generate  
additional revenues for the state highway  
fund.

MEANS: Amend section 243-4(a), Hawaii Revised  
Statutes.

JUSTIFICATION: Amendment is needed to generate additional  
revenues through an increase in the state  
fuel tax per gallon of gasoline in each  
county to the state highway fund.

Impact on the public: A six cents per  
gallon increase in the state tax on liquid  
fuel is estimated to cost an average driver  
an additional \$33.00 annually.

Impact on the department and other agencies:  
The state fuel tax is the major revenue  
source for the State Highway Fund. It is  
also the major source of pledged revenues  
for the Highway Revenue Bonds. The  
additional revenue source 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  
state fuel tax 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 Departments ability to

# SB. NO. 1009

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 pedestrians, bicyclists, transit users and motorists 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 will result in attracting its share for federal funds. The normal federal share for projects on the interstate system is 90 per cent and for other eligible roadways it is 80 per cent.

GENERAL FUND:

None.

OTHER FUNDS:

The state fuel tax revenues under Section 243-4, Hawaii Revised Statutes, will be deposited into the state highway fund, airport revenue fund, and boating special fund with an amount equal to 0.3 percent of the highway fuel tax but not more than \$250,000 allocated each year to the Special Land and Development Fund.

PBS PROGRAM

DESIGNATION:

TRN 595.

OTHER AFFECTED

AGENCIES:

None.

EFFECTIVE DATE:

July 1, 2017.