

S.B. NO. 1012

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:**

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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 imposed are as follows:

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

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

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

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

17           If it is shown to the satisfaction of the department, based  
18          upon proper records and from any other evidence as the  
19          department may require, that liquid fuel other than fuel  
20          mentioned in paragraphs (1), (2), and (3), is used for  
21          agricultural equipment that does not operate upon the public  
22          highways of the State, the user thereof may obtain a refund of

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1 all taxes thereon imposed by this section in excess of 1 cent  
2 per gallon. The department shall adopt rules to administer such  
3 refunds."

4 PART II

5 MOTOR VEHICLE REGISTRATION

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

8 "§249-31 State registration fee. (a) All vehicles and  
9 motor vehicles in the State as defined in section 249-1,  
10 including antique motor vehicles, except as otherwise provided  
11 in sections 249-4, 249-6, and 249-31.5, shall be subject to a  
12 [~~\$45~~] \$75 annual vehicle registration fee. The fee shall be  
13 paid each year together with all other taxes and fees levied by  
14 this chapter on a staggered basis as established by each county  
15 as authorized by section 286-51, and the state registration for  
16 that county shall likewise be staggered so that the state  
17 registration fee is due and payable at the same time and shall  
18 be collected together with the county fee. The state  
19 registration fee shall be deemed delinquent if not paid with the  
20 county registration fee. The respective counties shall collect  
21 this fee together with the vehicle registration tax collected

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1 for the county and shall transfer the moneys collected under  
2 this section to the State.

3 (b) From each annual motor vehicle registration fee, the  
4 director shall deposit [~~\$40~~] \$70 into the state highway fund and  
5 \$5 into the emergency medical services special fund."

6 PART III

7 MOTOR VEHICLE WEIGHT TAX

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

10 "(a) All vehicles and motor vehicles in the State as  
11 defined in section 249-1, including antique motor vehicles,  
12 except as otherwise provided in sections 249-4, 249-5.5, 249-6,  
13 and 249-6.5, in addition to all other fees and taxes levied by  
14 this chapter, shall be subject to an annual state vehicle weight  
15 tax. The tax shall be levied by the county director of finance  
16 at the rate of [~~1.75~~] 2.75 cents a pound according to the net  
17 weight of each vehicle as the "net weight" is defined in section  
18 249-1 up to and including four thousand pounds net weight;  
19 vehicles over four thousand pounds and up to and including seven  
20 thousand pounds net weight shall be taxed at the rate of [~~2.00~~]  
21 3.00 cents a pound; vehicles over seven thousand pounds and up  
22 to and including ten thousand pounds net weight shall be taxed

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1 at the rate of [~~2.25~~] 3.25 cents a pound; vehicles over ten  
2 thousand pounds net weight shall be taxed at a flat rate of  
3 [~~\$300-~~] \$400."

4 PART IV

5 SECTION 4. There is appropriated out of the state highway  
6 fund the sum of \$ or so much thereof as may be necessary for  
7 fiscal year 2017-2018 for the operations and maintenance of the  
8 state highways program.

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

11 SECTION 5. This Act does not affect rights and duties that  
12 matured, penalties that were incurred, and proceedings that were  
13 begun, before its effective date.

14 PART V

15 SECTION 6. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 7. This Act, upon its approval, shall take effect  
18 on July 1, 2017.

19  
20 INTRODUCED BY: 

21 BY REQUEST

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**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.*

# SB. NO. 1012

## 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 their 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 a safe, efficient, and effective land 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 state fuel tax, more innovative 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 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.

Impact on the public: Act 188, Session Laws of Hawaii 2012, repealed the 17 cents per gallon liquid fuel tax that was enacted in Act 207, Session Laws of Hawaii 2007, 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 22 cents per gallon to generate additional fuel tax revenues. Each one cent per gallon increase from 16 cents per gallon to 22 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.

The estimated cost impact on the motoring public is an increase of \$30.00 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. It is also the major sources of pledged revenues for the Highway Revenue Bonds. The additional revenue sources 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 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 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, 2017.