

JAN 21 2022

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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 legislature finds that assessing a tax on  
2 producers and importers of fossil fuels has been successful in  
3 countries throughout the world in reducing the consumption of  
4 fossil fuels. The effect of the tax, which is commonly known as  
5 a carbon price or carbon tax, has been to reduce the emissions  
6 of greenhouse gases, leading to a more sustainable environment  
7 and reducing local air pollution.

8       The legislature further finds that dozens of eminent  
9 economists have endorsed a policy that taxes carbon and returns  
10 revenues, commonly known as dividends, to people. The  
11 University of Hawai'i Economic Research Organization (UHERO)  
12 conducted a study on a carbon tax that was released in April  
13 2021 and titled, "Carbon Pricing Assessment for Hawai'i:  
14 Economic and Greenhouse Gas Impacts". The study explored how a  
15 carbon tax and dividend policy would affect Hawai'i and found  
16 that it would substantially reduce the consumption of fossil  
17 fuels while financially benefiting most Hawai'i households. Low-



1 income households would experience the greatest financial  
2 benefit.

3       The legislature additionally finds that more than forty  
4 countries have adopted a carbon tax or other carbon pricing  
5 policy, and even more are considering it. The World Bank  
6 asserts that "carbon pricing is the most effective way to reduce  
7 emissions, and all jurisdictions must go further and faster in  
8 using carbon pricing policies as part of their climate policy  
9 packages." The level of pricing is key, and according to the  
10 World Bank, fossil fuels must be priced between \$50 and \$100 per  
11 ton of carbon dioxide emissions in the next few years to put the  
12 world on the path to achieving the goals of the Paris Agreement.  
13 The Group of 20 (G20), which includes the United States, the  
14 European Union, China, India, and Russia, representing ninety  
15 per cent of the world's economy, encourages the appropriate use  
16 of carbon pricing when used among a wide set of tools to control  
17 climate change.

18       The legislature also finds that a total of 3,500 economists  
19 have signed a statement endorsing carbon pricing, including  
20 twenty-eight Nobel Laureate economists, four former Chairs of  
21 the Federal Reserve, and fifteen former Chairs of the Council of



1 Economic Advisors. The statement reads in part, "A carbon tax  
2 offers the most cost-effective lever to reduce carbon emissions  
3 at the scale and speed that is necessary." The statement goes  
4 on to say that the carbon tax should be increased until emission  
5 reduction goals are met. It continues by stating: "To maximize  
6 the fairness and political viability of a rising carbon tax, all  
7 the revenue should be returned directly to U.S. citizens through  
8 equal lump-sum rebates. The majority of American families,  
9 including the most vulnerable, will benefit financially by  
10 receiving more in 'carbon dividends' than they pay in increased  
11 energy prices."

12 The legislature further finds that carbon pricing bills  
13 have been introduced in the Hawai'i Legislature for the past  
14 several sessions. Basic economics explains how carbon pricing  
15 would reduce the consumption of fossil fuels. Though some have  
16 questioned the financial impacts of carbon pricing on Hawai'i's  
17 families, particularly on those in the lowest income bracket,  
18 this concern was addressed in the UHERO study.

19 The legislature additionally finds that the UHERO study  
20 examined two levels of carbon taxes, a low tax scenario and a  
21 high tax scenario. The study also examined two uses of the tax



1 revenue, one with all of the tax revenue used to finance  
2 government programs, and the other with most of the tax revenue  
3 distributed to Hawai'i's households. The study concluded that the  
4 consumption of fossil fuels would be substantially reduced in  
5 both tax scenarios. The study also concluded that distributing  
6 most of the tax revenue to Hawai'i's households in the low tax  
7 scenario would create a net financial benefit to most of  
8 Hawai'i's households, with the largest net financial benefit to  
9 low-income households.

10 Further, the study found that the dividend makes the carbon  
11 tax and dividend model progressive rather than regressive. This  
12 model addresses the concerns of those who had questioned the  
13 effect of a carbon tax on low-income families. Under this  
14 model, in the low tax scenario, low-income households would  
15 benefit financially, on average, because their dividend would be  
16 larger than their increased spending resulting from the carbon  
17 tax. This Act incorporates many of the elements of the low tax  
18 scenario of the UHERO study and distributes most of the tax  
19 revenue to Hawai'i's households in the form of refundable tax  
20 credits. The level of taxation is within the range that the



1 World Bank has determined would achieve the goals of the Paris  
2 Agreement.

3 This Act establishes carbon tax rates that are derived from  
4 the low tax scenario of the UHERO study. The study based its  
5 assessment on dollars for the year 2012 and a carbon tax  
6 starting in year 2025. This Act starts the tax in 2023, earlier  
7 than the UHERO date, with a modified tax rate and by 2025 this  
8 Act's tax rates will be equivalent to those in the study. To  
9 ease implementation, this Act uses the same units of measure as  
10 the existing Environmental Response, Energy, and Food Security  
11 Tax, commonly known as the barrel tax, specifically: dollars  
12 per barrel for crude oil and refined petroleum products and  
13 dollars per million British thermal units (Btus) for coal and  
14 natural gas.

15 To convert from dollars per metric ton of carbon dioxide  
16 equivalent (CO<sub>2</sub>e) to dollars per unit of fuel, this Act uses the  
17 U.S. Environmental Protection Agency's Emission Factors for  
18 Greenhouse Gas Inventories (modified April 1, 2021). For  
19 petroleum and refined petroleum products, this document reports  
20 the metric tons of emissions for carbon dioxide, methane, and  
21 nitrous oxide per gallon of fuel. For coal and natural gas,



1 this document reports the metric tons of emissions for carbon  
2 dioxide, methane, and nitrous oxide per MMBtu of fuel. The  
3 emissions of carbon dioxide, methane, and nitrous oxide can be  
4 combined into emissions of carbon dioxide equivalent (CO<sub>2</sub>e) by  
5 multiplying the amount of carbon dioxide, methane, and nitrous  
6 oxide by their 100-year global warming potential (GWP). The  
7 GWPs for carbon dioxide, methane, and nitrous oxide are one,  
8 twenty-five, and two hundred ninety-eight, respectively. Then  
9 to arrive at the tax rate, the CO<sub>2</sub>e emissions factor is  
10 multiplied by the carbon tax. The emissions factors for  
11 gasoline, for example, for carbon dioxide, methane, and nitrous  
12 oxide are 8.78 kg CO<sub>2</sub>/gallon, 0.38 g CH<sub>4</sub>/gallon, and 0.08 g  
13 N<sub>2</sub>O/gallon, respectively so its CO<sub>2</sub>e emissions rate is:  
14  $(8.78/1000 + 0.38*25/1000 + 0.08*298/1000) = 8.81$  kg  
15 CO<sub>2</sub>e/gallon. There are forty-two gallons in each barrel of  
16 crude oil (bbl). Multiplying by forty-two gallons/bbl and  
17 dividing by 1000 to convert from kilograms to metric tons (MT)  
18 yields a rate of 0.37 MT CO<sub>2</sub>e/bbl.

19 The legislature further finds that this same methodology  
20 can be used to derive the CO<sub>2</sub>e emissions rate for all fossil  
21 fuels. Then these can be used to convert carbon tax rates to



1 tax rates in more familiar units. Again, using gasoline as an  
2 example, the per barrel tax rate for a \$59/MT of CO<sub>2</sub> tax rate is  
3 computed as follows (converting from dollars based in year 2012  
4 to dollars based in year 2023):  $\$59/\text{MT of CO}_2\text{e} * 0.37 \text{ MT of}$   
5  $\text{CO}_2\text{e}/\text{bbl} = \$18.51/\text{bbl}$ .

6 This Act adds to the existing barrel tax so the final  
7 barrel tax on non-aviation petroleum based fuels includes an  
8 additional \$1.05/bbl, and for gas and coal an additional  
9 \$0.19/MMBtu is included. So the final per barrel tax  
10 corresponding to a \$50/MT of CO<sub>2</sub> is:  $\$18.51 + 1.05 = \$19.56/\text{bbl}$ .

11 The legislature additionally finds that in Hawai'i, a carbon  
12 tax would very likely have the effect of raising the selling  
13 prices of fossil fuels. Such an increase would move fossil fuel  
14 prices closer to their true unsubsidized prices. The fossil  
15 fuel industry receives subsidies from the federal government  
16 that include both direct subsidies to corporations, as well as  
17 indirect subsidies to the fossil fuel industry. Fossil fuel  
18 prices do not include the social cost of degradation of the  
19 environment that results from the burning of fossil fuels and  
20 the resulting damage to human health and welfare. A recent  
21 report by the International Monetary Fund estimates total U.S.



1 fossil fuel subsidies and social costs to be \$649 billion a  
2 year.

3       This Act distributes an amount equivalent to most of the  
4 tax revenue to individuals who file Hawai'i income tax in the  
5 form of refundable tax credits. The refundable tax credit is  
6 the same amount for each category of taxpayer. For example, all  
7 taxpayers filing as single or married filing separately are  
8 eligible for the same amount. This methodology is consistent  
9 with the UHERO study in distributing most of the tax revenue to  
10 Hawai'i's households.

11       The legislature also finds that interest in a carbon tax is  
12 growing in the United States at all levels of government because  
13 it is effective and because it can be used with other efforts to  
14 control carbon emissions. Recently, for example, Secretary of  
15 the Treasury Janet Yellen signed a commitment to the Group of 7  
16 (G7) to meet net zero goals and environmental objectives by  
17 making "the optimal use of the range of policy levers to price  
18 carbon." She emphasized its positive effect on jobs, growth,  
19 competitiveness and fairness.

20       The purpose of this Act is to establish the carbon cashback  
21 program, which sets a carbon tax on fossil fuels and returns an





1 equivalent amount of the money generated by the carbon tax less  
2 administrative costs to Hawai'i residents in the form of a  
3 refundable tax credit or cash payment.

4 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
5 amended by adding a new section to be appropriately designated  
6 and to read as follows:

7 "§235- Tax credit; carbon emissions tax. (a) There  
8 shall be allowed to each qualified taxpayer subject to the tax  
9 imposed under this chapter, a refundable income tax credit that  
10 shall be deductible from the taxpayer's net income tax  
11 liability, if any, imposed by this chapter for the taxable year  
12 in which the credit is properly claimed.

13 (b) The amount of the tax credit shall be equal to the sum  
14 of the following:

15	(A)	<u>\$ 65</u>	<u>for 2023</u>
16		<u>\$ 210</u>	<u>for 2024</u>
17		<u>\$ 360</u>	<u>for 2025</u>
18		<u>\$ 380</u>	<u>for 2026</u>
19		<u>\$ 420</u>	<u>for 2027</u>
20		<u>\$ 440</u>	<u>for 2028</u>
21		<u>\$ 440</u>	<u>for 2029</u>



1           \$    440           for 2030

2           \$    440           for 2031

3           \$    450           for 2032

4           \$    460           for 2033

5           \$    470           for 2034

6           \$    480           for 2035 and every year thereafter

7           for taxpayers filing as single or married filing

8           separately;

9           (B) \$     65           for 2023

10           \$    210           for 2024

11           \$    360           for 2025

12           \$    380           for 2026

13           \$    420           for 2027

14           \$    440           for 2028

15           \$    440           for 2029

16           \$    440           for 2030

17           \$    440           for 2031

18           \$    450           for 2032

19           \$    460           for 2033

20           \$    470           for 2034

21           \$    480           for 2035 and every year thereafter



1 for taxpayers filing as a head of household; or

2 (C) \$ 130 for 2023

3 \$ 420 for 2024

4 \$ 720 for 2025

5 \$ 760 for 2026

6 \$ 850 for 2027

7 \$ 880 for 2028

8 \$ 880 for 2029

9 \$ 880 for 2030

10 \$ 880 for 2031

11 \$ 900 for 2032

12 \$ 920 for 2033

13 \$ 940 for 2034

14 \$ 960 for 2035 and every year thereafter

15 for taxpayers filing a joint return or as a surviving

16 spouse; and

17 (D) \$ 30 for 2023

18 \$ 100 for 2024

19 \$ 180 for 2025

20 \$ 190 for 2026

21 \$ 201 for 2027



1           \$       220       for 2028

2           \$       220       for 2029

3           \$       220       for 2030

4           \$       220       for 2031

5           \$       220       for 2032

6           \$       230       for 2033

7           \$       230       for 2034

8           \$       240       for 2035 and every year thereafter

9           per qualifying dependent who is a minor.

10           (c) If the tax credit claimed by the taxpayer under this  
11 section exceeds the amount of the income tax payments due from  
12 the taxpayer, the excess of credit over payments due shall be  
13 refunded to the taxpayer; provided that the tax credit properly  
14 claimed by a taxpayer who has no income tax liability shall be  
15 paid to the taxpayer; provided further that no refunds or  
16 payments on account of the tax credit allowed by this section  
17 shall be made for amounts less than \$1.

18           All claims for the tax credit under this section, including  
19 amended claims, shall be filed on or before the end of the  
20 twelfth month following the close of the taxable year for which  
21 the credit may be claimed. Failure to comply with the foregoing



1 provision shall constitute a waiver of the right to claim the  
2 credit.

3 (d) The director of taxation:

4 (1) Shall prepare any forms that may be necessary to claim  
5 a tax credit under this section;

6 (2) May require the taxpayer to furnish reasonable  
7 information to ascertain the validity of the claim for  
8 the tax credit made under this section; and

9 (3) May adopt rules under chapter 91 necessary to  
10 effectuate the purposes of this section.

11 (e) All of the provisions relating to assessments and  
12 refunds under this chapter and under section 231-23(c)(1) shall  
13 apply to the tax credit under this section.

14 (f) As used in this section:

15 "Qualified taxpayer" means a resident taxpayer who files an  
16 individual income tax return, whether as a single taxpayer, a  
17 head of household, a married individual filing a separate  
18 return, a married couple filing a joint return, or a surviving  
19 spouse.

20 "Qualifying child" means a minor who:

21 (1) Resides with the taxpayer; and



1        (2) Is claimed as a dependent by the taxpayer."

2        SECTION 3. Section 128D-2, Hawaii Revised Statutes, is  
3 amended by amending subsection (a) to read as follows:

4        "(a) There is created within the state treasury an  
5 environmental response revolving fund, which shall consist of  
6 moneys appropriated to the fund by the legislature, moneys paid  
7 to the fund as a result of departmental compliance proceedings,  
8 moneys paid to the fund pursuant to court-ordered awards or  
9 judgments, moneys paid to the fund in court-approved or out-of-  
10 court settlements, all interest attributable to investment of  
11 money deposited in the fund, moneys deposited in the fund from  
12 the environmental response, energy, carbon emissions, and food  
13 security tax pursuant to section 243-3.5, and moneys allotted to  
14 the fund from other sources."

15        SECTION 4. Section 201-12.8, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17        "(a) There is created within the state treasury an energy  
18 security special fund, which shall consist of:

- 19        (1) The portion of the environmental response, energy,  
20                carbon emissions, and food security tax specified  
21                under section 243-3.5;



(2) Moneys appropriated to the fund by the legislature;

(3) All interest attributable to investment of money  
deposited in the fund; and

(4) Moneys allotted to the fund from other sources,  
including under section 196-6.5."

SECTION 5. Section 243-3.5, Hawaii Revised Statutes, is  
amended to read as follows:

"§243-3.5 Environmental response, energy, carbon  
emissions, and food security tax; uses. (a) In addition to any  
other taxes provided by law, subject to the exemptions set forth  
in section 243-7, there is hereby imposed a state environmental  
response, energy, carbon emissions, and food security tax on  
each barrel or fractional part of a barrel of petroleum product  
sold by a distributor to any retail dealer or end user of  
petroleum product, other than a refiner. The tax [~~shall be~~  
~~\$1.05~~] on each barrel or fractional part of a barrel of  
petroleum product [~~that is not aviation fuel; provided that of~~  
~~the tax collected pursuant to this subsection.~~] shall be in the  
amounts provided in the following table:

<u>Product</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Butane</u>	<u>\$4.26</u>	<u>\$10.86</u>	<u>\$17.73</u>	<u>\$18.40</u>



1	<u>Propane</u>	<u>\$3.80</u>	<u>\$ 9.46</u>	<u>\$15.35</u>	<u>\$15.93</u>
2	<u>Gasoline</u>	<u>\$5.27</u>	<u>\$13.96</u>	<u>\$23.00</u>	<u>\$23.89</u>
3	<u>Diesel</u>	<u>\$5.95</u>	<u>\$16.06</u>	<u>\$26.57</u>	<u>\$27.60</u>
4	<u>Kerosene</u>	<u>\$5.93</u>	<u>\$15.97</u>	<u>\$26.42</u>	<u>\$27.44</u>
5	<u>Aviation gas</u>	<u>\$3.99</u>	<u>\$12.22</u>	<u>\$20.77</u>	<u>\$21.61</u>
6	<u>Jet Fuel</u>	<u>\$4.68</u>	<u>\$14.33</u>	<u>\$24.37</u>	<u>\$25.35</u>
7	<u>No. 6 Fuel Oil</u>	<u>\$6.46</u>	<u>\$17.62</u>	<u>\$29.22</u>	<u>\$30.35</u>
8	<u>LPG</u>	<u>\$3.78</u>	<u>\$ 9.41</u>	<u>\$15.26</u>	<u>\$15.83</u>
9	<u>Other</u>	<u>\$5.99</u>	<u>\$16.18</u>	<u>\$26.76</u>	<u>\$27.80</u>
10					
11	<u>Product</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
12	<u>Butane</u>	<u>\$19.09</u>	<u>\$19.81</u>	<u>\$20.55</u>	<u>\$21.30</u>
13	<u>Propane</u>	<u>\$16.52</u>	<u>\$17.14</u>	<u>\$17.77</u>	<u>\$18.42</u>
14	<u>Gasoline</u>	<u>\$24.80</u>	<u>\$25.74</u>	<u>\$26.71</u>	<u>\$27.71</u>
15	<u>Diesel</u>	<u>\$28.66</u>	<u>\$29.75</u>	<u>\$30.88</u>	<u>\$32.04</u>
16	<u>Kerosene</u>	<u>\$28.50</u>	<u>\$29.58</u>	<u>\$30.70</u>	<u>\$31.86</u>
17	<u>Aviation gas</u>	<u>\$22.48</u>	<u>\$23.37</u>	<u>\$24.28</u>	<u>\$25.23</u>
18	<u>Jet Fuel</u>	<u>\$26.37</u>	<u>\$27.41</u>	<u>\$28.49</u>	<u>\$29.60</u>
19	<u>No. 6 Fuel Oil</u>	<u>\$31.53</u>	<u>\$32.73</u>	<u>\$33.98</u>	<u>\$35.26</u>
20	<u>LPG</u>	<u>\$16.42</u>	<u>\$17.03</u>	<u>\$17.66</u>	<u>\$18.31</u>
21	<u>Other</u>	<u>\$28.87</u>	<u>\$29.98</u>	<u>\$31.11</u>	<u>\$32.28</u>





1					
2	<u>Product</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>
3	<u>Butane</u>	<u>\$22.08</u>	<u>\$22.89</u>	<u>\$23.72</u>	<u>\$24.57</u>
4	<u>Propane</u>	<u>\$19.09</u>	<u>\$19.78</u>	<u>\$20.49</u>	<u>\$21.22</u>
5	<u>Gasoline</u>	<u>\$28.74</u>	<u>\$29.80</u>	<u>\$30.88</u>	<u>\$32.01</u>
6	<u>Diesel</u>	<u>\$33.23</u>	<u>\$34.46</u>	<u>\$35.73</u>	<u>\$37.03</u>
7	<u>Kerosene</u>	<u>\$33.04</u>	<u>\$34.27</u>	<u>\$35.53</u>	<u>\$36.82</u>
8	<u>Aviation gas</u>	<u>\$26.20</u>	<u>\$27.20</u>	<u>\$28.23</u>	<u>\$29.29</u>
9	<u>Jet Fuel</u>	<u>\$30.74</u>	<u>\$31.91</u>	<u>\$33.12</u>	<u>\$34.37</u>
10	<u>No. 6 Fuel Oil</u>	<u>\$36.57</u>	<u>\$37.93</u>	<u>\$39.33</u>	<u>\$40.77</u>
11	<u>LPG</u>	<u>\$18.97</u>	<u>\$19.66</u>	<u>\$20.36</u>	<u>\$21.09</u>
12	<u>Other</u>	<u>\$33.48</u>	<u>\$34.72</u>	<u>\$36.00</u>	<u>\$37.31</u>
13					
14	<u>Product</u>	<u>2035 and each year thereafter</u>			
15	<u>Butane</u>	<u>\$25.44</u>			
16	<u>Propane</u>	<u>\$21.97</u>			
17	<u>Gasoline</u>	<u>\$33.16</u>			
18	<u>Diesel</u>	<u>\$38.37</u>			
19	<u>Kerosene</u>	<u>\$38.15</u>			
20	<u>Aviation gas</u>	<u>\$30.39</u>			
21	<u>Jet Fuel</u>	<u>\$35.65</u>			



1	<u>No. 6 Fuel Oil</u>	<u>\$42.25</u>
2	<u>LPG</u>	<u>\$21.84</u>
3	<u>Other</u>	<u>\$38.66</u>

4       The tax for each year referenced above shall take effect on  
5 January 1 of that year and continue to be applicable until the  
6 effective date of the next increment.

7       The tax imposed by this subsection shall be paid by the  
8 distributor of the petroleum product.

9       (b) Tax revenues collected pursuant to subsection (a)  
10 shall be distributed in the following priority, with the excess  
11 revenues to be deposited into the general fund:

12       (1)   ~~[5 cents of the tax on each barrel]~~ \$1,291,000 shall  
13           be deposited into the environmental response revolving  
14           fund established under section 128D-2;

15       (2)   ~~[4 cents of the tax on each barrel]~~ \$3,872,000 shall  
16           be deposited into the energy security special fund  
17           established under section 201-12.8;

18       (3)   ~~[8 cents of the tax on each barrel]~~ \$2,582,000 shall  
19           be deposited into the energy systems development  
20           special fund established under section 304A-2169.1;

21       ~~[and~~



~~4]~~ (4) ~~[+]~~ 3 cents of the tax on each barrel shall be deposited into the electric vehicle charging system subaccount established pursuant to section 269-33(e) ~~[+]~~;

(5) All taxes paid on gasoline or other aviation fuel sold for use in or used for airplanes shall be deposited in the airport revenue fund created by section 248-8; and

(6) All taxes paid on gasoline, diesel, or other fuel sold for use in or used for small boats shall be deposited in the boating special fund created by section 248-8.

~~[The tax imposed by this subsection shall be paid by the distributor of the petroleum product.]~~

~~(b)]~~ (c) In addition to subsection (a), the environmental response, energy, carbon emissions, and food security tax shall also be imposed on each one million British thermal units of fossil fuel sold by a distributor to any retail dealer or end user, other than a refiner, of fossil fuel. The tax ~~[shall be 19 cents]~~ on each one million British thermal units of fossil fuel ~~[, provided that of the tax collected pursuant to this subsection.]~~ is set forth in the following table:

<u>Fuel</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Coal (all</u>				



1	<u>forms)</u>	<u>\$1.29</u>	<u>\$3.55</u>	<u>\$5.90</u>	<u>\$6.13</u>
2	<u>Natural gas</u>				
3	<u>(including</u>				
4	<u>liquefied</u>				
5	<u>natural gas)</u>	<u>\$0.80</u>	<u>\$2.04</u>	<u>\$3.34</u>	<u>\$3.47</u>
6					
7	<u>Fuel</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
8	<u>Coal (all</u>				
9	<u>forms)</u>	<u>\$6.37</u>	<u>\$6.61</u>	<u>\$6.87</u>	<u>\$7.13</u>
10	<u>Natural gas</u>				
11	<u>(including</u>				
12	<u>liquefied</u>				
13	<u>natural gas)</u>	<u>\$3.60</u>	<u>\$3.73</u>	<u>\$3.87</u>	<u>\$4.02</u>
14					
15	<u>Fuel</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>
16	<u>Coal (all</u>				
17	<u>forms)</u>	<u>\$7.39</u>	<u>\$7.67</u>	<u>\$7.95</u>	<u>\$8.24</u>
18	<u>Natural gas</u>				
19	<u>(including</u>				
20	<u>liquefied</u>				
21	<u>natural gas)</u>	<u>\$4.16</u>	<u>\$4.31</u>	<u>\$4.47</u>	<u>\$4.63</u>
22					
23	<u>Fuel</u>	<u>2035 and each year thereafter</u>			



1       Coal (all  
2       forms)               \$8.54

3       Natural gas  
4       (including  
5       liquefied  
6       natural gas)       \$4.80

7  
8       The tax for each year referenced above shall take effect on  
9       January 1 of that year and continue to be applicable until the  
10      effective date of the next increment.

11       The tax imposed by this subsection shall be paid by the  
12      distributor of the fossil fuel.

13       (d) Tax revenues collected pursuant to subsection (c)  
14      shall be distributed in the following priority each fiscal year,  
15      with the excess revenues to be deposited into the general fund:

16       (1)   ~~[4.8 per cent of the tax on each one million British~~  
17              ~~thermal units]~~ \$49,000 shall be deposited into the  
18              environmental response revolving fund established  
19              under section 128D-2;

20       (2)   ~~[14.3 per cent of the tax on each one million British~~  
21              ~~thermal units]~~ \$147,000 shall be deposited into the



1 energy security special fund established under  
2 section 201-12.8; and

3 (3) ~~[9.5 per cent of the tax on each one million British~~  
4 ~~thermal units]~~ \$98,000 shall be deposited into the  
5 energy systems development special fund established  
6 under section 304A-2169.1.

7 ~~[The tax imposed by this subsection shall be paid by the~~  
8 ~~distributor of the fossil fuel.~~

9 ~~(e)]~~ (e) The tax imposed under subsection ~~[(b)]~~ (c) shall  
10 not apply to coal used to fulfill ~~[a signed]~~ an existing power  
11 purchase agreement between an independent power producer and an  
12 electric utility that is in effect as of June 30, 2015~~[-]~~; ;  
13 provided that this exemption from taxation shall not apply to  
14 any extension of an existing power purchase agreement or to any  
15 subsequent power purchase agreement. An independent power  
16 producer shall be permitted to pass the tax imposed under  
17 subsection ~~[(b)]~~ (c) on to an electric utility. In ~~[which~~  
18 ~~ease,]~~ any case in which the tax is passed on, the electric  
19 utility may recover the cost of the tax through an appropriate  
20 surcharge to the end user that is approved by the public  
21 utilities commission.



1        [~~(d)~~] (f) A gas utility shall be allowed to recover the  
2 cost of the tax imposed under subsection [~~(b)~~] (c) as part of  
3 its fuel cost in its fuel adjustment charge without further  
4 approval by the public utilities commission.

5        [~~(e)~~] (g) Each distributor subject to the tax imposed by  
6 subsection (a) or [~~(b)~~], (c), on or before the last day of each  
7 calendar month, shall file, in the form and manner prescribed by  
8 the department, a return statement of the tax under this section  
9 for which the distributor is liable for the preceding month.

10 The form and payment of the tax shall be transmitted to the  
11 department in the form and manner prescribed by the department.

12        [~~(f)~~] (h) Notwithstanding section 248-8 to the contrary,  
13 the environmental response, energy, carbon emissions, and food  
14 security tax collected under this section shall be paid over to  
15 the director of finance for deposit as provided in subsection  
16 [~~(a) or (b)~~], (b) or (d), as the case may be.

17        [~~(g)~~] (i) Every distributor shall keep in the State and  
18 preserve for five years a record in a form as the department of  
19 taxation shall prescribe showing the total number of barrels,  
20 and the fractional part of barrels, of petroleum product or the  
21 total number of one million British thermal units of fossil



1 fuel, as the case may be, sold by the distributor during any  
2 calendar month. The record shall show any other data and  
3 figures relevant to the enforcement and administration of this  
4 chapter as the department may require.

5 ~~[(h)]~~ (j) For the purposes of this section:

6 "Barrel" may be converted to million British thermal units,  
7 using the United States Department of Energy, Energy Information  
8 Administration annual energy review or annual energy outlook.

9 "Fossil fuel" means a ~~[hydrocarbon deposit]~~ fuel, such as  
10 coal, natural gas, or liquefied natural gas, derived from a  
11 hydrocarbon deposit resulting from the accumulated remains of  
12 ancient plants or animals ~~[and used for fuel]~~; provided that  
13 the term specifically does not include petroleum product."

14 SECTION 6. Section 304A-2169.1, Hawaii Revised Statutes,  
15 is amended by amending subsection (b) to read as follows:

16 "(b) Deposits into the special fund may be from the  
17 following:

18 (1) Appropriations from the legislature;

19 (2) A portion of the environmental response, energy,  
20 carbon emissions, and food security tax pursuant to  
21 section 243-3.5; and





1           (3)   Investment earnings, gifts, donations, or other income  
2                   received by the Hawaii natural energy institute."

3           SECTION 7.   Statutory material to be repealed is bracketed  
4 and stricken.   New statutory material is underscored.

5           SECTION 8.   This Act shall take effect upon its approval;  
6 provided that section 2 and section 5 shall apply to taxable  
7 years beginning after December 31, 2022.

8

INTRODUCED BY: \_\_\_\_\_

*Kal N. Noh*



# S.B. NO. 2732

**Report Title:**

Environmental Response, Energy, Carbon Emissions, and Food  
Security Tax; Tax Credit

**Description:**

Establishes a carbon emissions tax credit. Expands the  
environmental response, energy, and food security tax to include  
carbon emissions.

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

