DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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To: The Honorable Mike Gabbard, Chair;
The Honorable Clarence K. Nishihara, Vice Chair;
and Members of the Senate Committee on Agriculture and Environment

The Honorable Chris Lee, Chair;
The Honorable Lorraine R. Inouye, Vice Chair;
and Members of the Senate Committee on Transportation

From: Isaac W. Choy, Director
Department of Taxation

Date: Tuesday, February 8, 2022
Time: 3:00 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2007, Relating to a Carbon Tax on Aviation Fuel

The Department of Taxation (Department) appreciates the intent of S.B. 2007 and offers the following comments for the committee's consideration.

S.B. 2007 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a new refundable tax credit to mitigate the effect of a carbon emissions tax on resident taxpayers. The amounts of the credit are as follows:

Gross Income	Credit Amount for Single Filers	Credit Amount for Head of Household and Married Filing Separate or Jointly
$20,000 or less	$250	$500
More than $20,000 up to $30,000	$200	$400
More than $30,000 up to $40,000	$150	$300
More than $40,000 up to $50,000	$100	$200
More than $50,000 up to $60,000	$50	$200
More than $60,000 up to $75,000	N/A	$100

The measure also adds a new section to chapter 243, HRS, to create a state carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel sold by a distributor to any retail dealer or end user of the fuel, other than a refiner. The tax shall be paid by the distributor of the fuel and shall be equivalent to $0.0522 per gallon; provided that the tax shall increase annually based on the United States Energy Information Administration (USEIA)'s determination of carbon dioxide emissions per energy source. The measure would require the Department to post the new annual rate by December 15 of the year prior. All revenues from the new tax on aviation fuel would be deposited into the airport revenue fund, as required by section 248-8, HRS. The measure is effective upon approval.

First, with respect to the proposed tax credit in Section 2, the Department notes that restricting tax credit eligibility only to State residents may violate the U.S. Constitution. Notwithstanding the potential constitutional issue, the Department also notes that the proposed tax credit is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Second, the Department has concerns with the proposed language in Section 3, subsection (a), that would make the tax increase annually based on USEIA determinations of carbon dioxide emissions per energy source, with the Department responsible for posting the new rate ahead of each year. As currently written, there is no formula to be used to increase the tax. As such, the Department strongly suggests stating the formula to calculate the increase in this tax in the law.

Finally, the Department requests that the new tax credit in Section 2 be made applicable to tax years beginning after December 31, 2022, and that the new carbon emissions tax in Section 3 be made effective on January 1, 2023, instead of upon approval. This will provide time for the Department to make the necessary administrative and computer changes. This measure will also require taxpayer education as it represents a significant tax change.

Thank you for the opportunity to provide comments.

TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2022

ON THE FOLLOWING MEASURE:
S.B. NO. 2007, RELATING TO A CARBON TAX ON AVIATION FUEL.

BEFORE THE:
SENATE COMMITTEES ON AGRICULTURE AND ENVIRONMENT AND ON TRANSPORTATION

DATE: Tuesday, February 8, 2022 **TIME:** 3:00 p.m.

LOCATION: State Capitol, Via Videoconference

TESTIFIER(S): Holly T. Shikada, Attorney General, or
Mary Bahng Yokota, Deputy Attorney General

Chairs Gabbard and Lee and Members of the Committees:

The Department of the Attorney General provides the following comments.

This bill creates (1) a carbon emissions tax on aviation fuel and (2) a refundable income tax credit to mitigate the effect of the tax on lower income taxpayers (Tax Credit). The amount of the Tax Credit is based on filing status and amount of gross income of the taxpayer.

The Tax Credit under this bill may be claimed by a "qualified taxpayer." Page 3, lines 17, through page 4, line 2. The bill defines the term "qualified taxpayer" as a "resident" taxpayer who files an individual income tax return and has gross income with the ranges specified in the bill. Page 7, lines 6-13. Thus, the Tax Credit is only available to "resident" taxpayers and not to nonresident taxpayers.

"The Privileges and Immunities Clause, U.S. Const., art. IV, § 2, provides '[t]hat the Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States.'" Lunding v. New York Tax Appeals Tribunal, 522 U.S. 287, 290 (1998). "One right thereby secured is the right of a citizen of any State to 'remove to and carry on business in another without being subjected in property or person to taxes more onerous than the citizens of the latter State are subjected to.'" Id. at 296 (quoting Shaffer v. Carter, 252 U.S. 37, 56 (1920)). The Clause requires "substantial equality of treatment" for resident and nonresident taxpayers, such that "[w]here nonresidents are subject to different treatment, there must be 'reasonable grounds for … diversity of treatment.'" Id. at 297-98 (quoting Travis v. Yale & Towne Mfg. Co., 252 U.S. 60, 79(1920)). The "Privileges and Immunities Clause bars 'discrimination against citizens of other States where there is no substantial reason for the discrimination beyond the mere fact that they are citizens of other States.'" Id. at 298 (quoting Toomer v. Witsell, 334 U.S. 385, 396 (1948)).

When confronted with a challenge under the Privileges and Immunities Clause to a law distinguishing between resident and nonresidents, a State must demonstrate that "(i) there is a substantial reason for the difference in treatment; and (ii) the discrimination practiced against nonresidents bears a substantial relationship to the State's objective." Id. at 298 (quoting Supreme Court of N.H. v. Piper, 470 U.S. 274, 284 (1985)). "In deciding whether the discrimination bears a close or substantial relationship to the State's objective, the Court has considered the availability of less restrictive means." Piper, 470 U.S. at 284.

The reason for the Tax Credit in this bill appears to be to mitigate the effect of the carbon emissions tax on lower income taxpayers. Under the bill, the tax is required to be paid by the distributor of the fuel, but it may be argued that the tax affects both resident and nonresident taxpayers to the extent that the distributor passes the tax on to retailers, who in turn pass the tax on to all consumers, resident and nonresident alike. It is not clear in the bill that there is a substantial reason for the difference in treatment of resident and nonresident taxpayers for the Tax Credit or that the discrimination bears a substantial relationship to the State's objective. Thus, the residency requirement in the bill may be subject to challenge under the Privileges and Immunities Clause.

One way to address this concern is by deleting the term "resident" in the definition of "qualified taxpayer" on page 7, line 7, which would make the Tax Credit available to any taxpayer who files an individual income tax return and falls within income ranges listed in the bill.

Thank you for the opportunity to provide our comments.

HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
AND
COMMITTEE ON TRANSPORTATION

Tuesday, February 8, 2022
3:00 PM
State Capitol, Via Videoconference

COMMENTS
SB 2007
RELATING TO A CARBON TAX ON AVIATION FUEL.

Chairs Gabbard and Lee, Vice Chairs Nishihara and Inouye, and Members of the Committees, the Hawaiʻi State Energy Office (HSEO) offers comments on SB 2007, which imposes a state carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel, directs the aviation fuel tax into the airport revenue fund, and implements a tax credit to mitigate the effects of this tax on lower income taxpayers.

HSEO's testimony is guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy.

According to the Climate Action Network (CAN) and International Coalition for Sustainable Aviation (ICSA), "The aviation sector is a top-ten global emitter whose emissions are expected to rise dramatically by mid-century. Under current scenarios, the aviation sector could emit 56 GtCO2 over the period 2016-2050. ... It is critical that the global aviation sector contribute its fair share towards achieving a 1.5°C future. … Aviation emissions are 2.1% of the global share, but when non-CO_2 effects are included, aviation contributes an estimated 4.9% to the global warming problem. Hence, the global aviation sector must have both zero CO_2 emissions and zero non-CO_2 effects on the climate by the end of the century."[1]

In Hawai‘i, aviation accounted for nearly 23% of net greenhouse gas (GHG) emissions (including sinks) in 2017.[2] This demonstrates the disproportional impact the sector has on the state's GHG emissions. Recognizing its vulnerability to the acute effects of climate change, Hawai‘i has emerged as a climate leader, setting the aggressive and necessary statewide target to sequester more atmospheric carbon and greenhouse gases than emitted within the State as quickly as practicable, but no later than 2045.

An aviation fuel tax invites those that travel to Hawai‘i to partner with residents to reduce the harmful impacts of aviation and continue progress towards the State's carbon negative target.

The Hawai‘i Department of Taxation reports the 2021 liquid fuel tax base for aviation fuel to be 258,227,618 gallons.[3] A $0.0522 per gallon tax on this volume would provide more than $13 million in collections annually, which could be used towards the development and implementation of sustainable aviation projects.

HSEO stands ready to partner with stakeholders in identifying innovative approaches to keeping Hawai‘i connected with the world, while protecting and preserving Hawai‘i's unique and limited natural resources. All sectors need to contribute for Hawai‘i to achieve a resilient, clean energy, decarbonized economy.

HSEO defers to the appropriate agencies for comment on tax administration.

Thank you for the opportunity to testify.

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[1] Climate Action Network (CAN) and International Coalition for Sustainable Aviation (ICSA) Joint input to the Talanoa Dialogue.
https://unfccc.int/sites/default/files/resource/156_CAN%20ICSA%20Aviation%20TD%20submission.pdf
[2] State of Hawai‘i. Department of Health. Hawai‘i Greenhouse Gas Program, Emissions Report for 2017. https://health.hawaii.gov/cab/files/2021/04/2017-Inventory_Final-Report_April-2021.pdf
[3] State of Hawai‘i. Department of Taxation. Current Monthly Tax Reports. Liquid Fuel Tax Base and Collections. Jan-Dec 2021. https://tax.hawaii.gov/stats/a5_3txcolrpt/

DAVID Y. IGE
GOVERNOR

TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

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EDWIN H. SNIFFEN

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 8, 2022
3:00 p.m.
State Capitol, Teleconference

S.B. 2007
RELATING TO A CARBON TAX ON AVIATION FUEL

Senate Committees on Agriculture & Environment and Transportation

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The Department of Transportation (DOT) offers **comments** on this bill which imposes a state carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel which directs the aviation fuel tax into the airport revenue fund and implements a tax credit to mitigate the effects of this tax on lower income taxpayers.

The DOT agrees with the intent of this bill of imposing a carbon emission tax, which includes reducing greenhouse gas and reliance on fossil fuel, among other potential benefits.

However, pursuant to the signatory airline lease agreement, the DOT Airports Division (DOTA) is required to credit aviation fuel taxes to landing fees, which will include the carbon emission tax on aviation fuel. Due to the limited and specific use of the additional revenues generated by the carbon tax, revenues available for debt service would be decreased, and would be a violation of specific terms of the airport bond certificate. Lastly, the DOTA financially operates under a residual cost system.

Thank you for the opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, FUEL, Aviation Fuel Tax; Carbon Tax; Airport Revenue Fund

BILL NUMBER: HB1639, SB 2007

INTRODUCED BY: HB by LOWEN, GANADEN, ILAGAN, JOHANSON, KAPELA, KITAGAWA, LOPRESTI, MARTEN, NAKASHIMA, PERRUSO, TARNAS, WILDBERGER, McKelvey; SB by RHOADS, GABBARD, LEE

EXECUTIVE SUMMARY: Imposes a state carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel. Directs the aviation fuel tax into the airport revenue fund. Implements a tax credit to mitigate the effects of this tax on lower income taxpayers.

SYNOPSIS: Adds a new section to chapter 235, HRS, granting a refundable tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers.

For single taxpayers:	
Gross income	Credit Amount
Not over $20,000	$250
Over $20,000, not over $30,000	200
Over $30,000, not over $40,000	150
Over $40,000, not over $50,000	100
Over $50,000, not over $60,000	50
For married taxpayers filing jointly, married filing separately, head of household:	
Gross income	Credit Amount
Not over $20,000	$500
Over $20,000, not over $30,000	400
Over $30,000, not over $40,000	300
Over $40,000, not over $60,000	200
Over $60,000, not over $75,000	100

Adds a new section to chapter 243, HRS, to impose a carbon emissions tax on aviation fuel. The tax shall be $0.0522 per gallon; provided that the tax shall increase annually based on the United States Energy Information Administration's determination of carbon dioxide emissions per energy source. The department of taxation shall post the annual rate by December 15 of the year prior. The tax is paid by the distributor of fuel, as the barrel tax is now, and the tax collections are to be deposited in the airport revenue fund (section 248-8, HRS).

Makes technical and conforming changes to section 261-5, HRS.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: An economist from UHERO, the University of Hawaii Economic Research Organization, posted an analysis arguing that strong, decisive action such as a carbon tax is going to be needed if we are going to achieve the greenhouse gas goals. "But without any specifics as to how we are to achieve [greenhouse gas] reductions – through a carbon tax or otherwise – it is largely symbolic," she argues.

So what is a carbon tax? It is a tax imposed on the carbon content of different fuels. Typically, it is due and payable when the fuel is either extracted and placed into commerce, or when it is imported. At present, neither the U.S. federal government nor any U.S. state has enacted a carbon tax. The city of Boulder, Colorado, enacted one by referendum in 2006; it applies at the rate of $7 per metric ton of CO2 and is imposed on electricity generation only. Several European Union countries, Japan, and South Africa have carbon taxes.

Presently, we have a liquid fuel tax (chapter 243, HRS). Like a carbon tax, the fuel tax is imposed upon import and entry into commerce.

Both the county and state governments are given the power to impose fuel tax. This bill does not repeal the state fuel tax and does not affect the counties' power to impose fuel tax. The proposed carbon tax does not replace the barrel tax, now imposed by section 243-3.5, HRS, which is now imposed at $1.05 per barrel of imported petroleum product and on other fossil fuels based on BTU equivalent. The barrel tax and the tax proposed by this bill do not conflict because aviation fuel is exempt from the barrel tax.

There is an issue as to whether this tax would be preempted by federal law. The federal Anti-Head Tax Act, 49 U.S.C. §40116, prohibits any tax, fee, or charge first taking effect after 1994 exclusively upon a business located at an airport unless the tax, fee, or charge is wholly utilized for airport or aeronautical purposes. 49 U.S.C. § 40116(d)(2)(A)(iv). Although the bill states that the revenue from the new carbon tax will be exclusively used for airport purposes, there is an issue as to whether the "tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers," as the bill titles it, would be considered a use of the tax that is unrelated to airport purposes. This would be a question of federal, not state, law.

And if you think the hammer of a carbon tax will fall most heavily on huge, faceless corporations like the airlines or the shippers, think again. Businesses can and will pass on any enhanced costs to their consumers if they hope to continue providing their products or services. That means our already astronomical cost of living could head further up into the stratosphere.

Digested: 2/4/2022

Email: communications@ulupono.com

SENATE COMMITTEES ON AGRICULTURE & ENVIRONMENTAL AND TRANSPORTATION
Tuesday, February 8, 2022 — 3:00 p.m.

Ulupono Initiative supports the intent of SB 2007, Relating to a Carbon Tax on Aviation Fuel.

Dear Chair Gabbard, Chair Lee, and Members of the Committees:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawaiʻi-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports the intent of SB 2007, which imposes a state carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel; directs the aviation fuel tax into the airport revenue fund; and implements a tax credit to mitigate the effects of this tax on lower income taxpayers.

While Ulupono supports addressing aviation fuel, we believe that the State should seriously consider an overall carbon policy similar to HB 2278. To avoid the worst impacts of climate change, significant reductions in greenhouse gas emissions are necessary. A recent report from the Intergovernmental Panel on Climate Change (IPCC) finds that carbon dioxide (CO2) emissions would need to fall by about 45 percent from 2010 levels by 2030 to limit warming to 1.5 degrees Celsius.[1] A carbon cashback program can be an effective tool to reduce greenhouse gas emissions while not financially burdening most households.

Research conducted by the Institute for Sustainability and Resilience, and the University of Hawaiʻi Economic Research Organization (UHERO), further supports the viability of this concept as an emissions reduction measure, estimating a 13% reduction in statewide emissions with the lower-priced pathway. They also noted that, unlike most taxes, it was possible to implement this program in a way that all households in Hawaiʻi, on average, would benefit economically. This is made possible by our visitors paying into the program, but only our residents can receive the cashback. Additionally, in December 2021, the Tax Review Commission, in its 2020-2022 report to the Legislature, also recommended Hawaiʻi

[1] Summary for Policymakers of IPCC Special Report on Global Warming of 1.5 degrees Celsius approved by governments, October 8, 2018.

employ a carbon cashback program to encourage clean energy development and improve most households' economic welfare in the process. With lower-income households expected to experience net economic benefits greater than those of higher-income households, this is a progressive measure that will disincentive the use of fossil fuels while simultaneously helping the households that need it the most.

While the research offers many insights and a better understanding of the potential impacts of such a program, unfortunately, to our knowledge, the data is unavailable to really understand the likely negative impacts to local industries (particularly non-service industries that compete against imports that are produced or manufactured without a carbon tax). Furthermore, assessing any proportional impact to neighbor island communities is also challenging. Though an improved understanding of these issues would be ideal, we still believe that the estimated benefits outweigh all likely negative impacts. Quite frankly, time is short and action across the globe is needed. If passed in this form, Ulupono believes this measure will provide many transformative environmental, economic and equity benefits.

However, Ulupono recommends the Legislature look to the recommendations proposed by the Tax Review Commission, specifically,

(1) Maintaining an 80/20 percent split between the tax revenues for households and the general fund. The committee should also adopt the recommendation to earmark the 20 percent for helping specific stakeholders address specific challenges of implementing this program. These funds could be used to mitigate the impacts to local industries, such as local farmers and other smaller businesses.
(2) Setting the price of the carbon tax equal to the current social cost of carbon, \$56/MT CO_2, with a gradual increase to \$79/MT CO_2.
(3) Include aviation fuel in this program, but create a sub-account in the airport revenue fund to invest in clean energy and transportation-related solutions.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Airlines for America®
We Connect the World

February 7, 2022

Senator Mike Gabbard, Chair
Senator Clarence Nishihara, Vice Chair
Committee on Agriculture and Environment
Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

Senator Chris Lee, Chair
Senator Lorraine R Inouye, Vice Chair
Committee on Transportation
Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 968

Re: Federal preemption issues in SB 2007

Dear Chairs Gabbard and Lee and Vice Chairs Nishihara and Inouye and Members of the Committees on Agriculture & Environment and Transportation:

Airlines for America (A4A) is the trade association for the leading U.S. passenger and cargo airlines.[1] As your Committee continues the important task of considering legislative responses to the challenges posed by climate change, we want to take this opportunity to highlight the U.S. airlines' strong record in this regard. While states are precluded from imposing carbon taxes, emissions trading systems and other emissions measures on aircraft fuel and aircraft, we also note that additional carbon regulation of the airlines and their fuel is unnecessary given our industry's commitments to climate action and federal law and international agreements already addressing aircraft greenhouse gas (GHG) emissions.[2]

As the record of the A4A carriers demonstrates, we take our role in GHG emissions very seriously. Indeed, prior to the COVID-19 pandemic, U.S. airlines boasted a tremendous fuel and GHG emissions record, accounting for only 2 percent of the nation's GHG emissions inventory while transporting a record 2.5 million passengers and 58,000 tons of cargo each day. During this time, U.S. airlines were also driving 5 percent of GDP, over 10 million U.S. jobs and $1.5 trillion in economic activity. In fact, U.S. airlines improved their fuel efficiency over 135 percent between 1978 and 2019, saving over 5 billion metric tons of carbon dioxide (CO_2) – equivalent to taking more than 27 million cars off the road on average in *each* of those years. Taking a more recent pre-pandemic snapshot, data from the Bureau of Transportation Statistics confirm that the U.S. airlines improved their fuel- and CO_2-emissions efficiency by 40 percent between 2000 and 2019.

These numbers are not happenstance. As an industry, we have achieved this strong environmental record by driving and deploying technology, operations, infrastructure and sustainable aviation fuel (SAF) advances to provide safe and vital air transport as efficiently as possible within the constraints of the air traffic management system. For the past several decades, airlines have dramatically improved their fuel efficiency and reduced their CO_2 emissions by investing billions in fuel-saving aircraft and engines, innovative technologies like

[1] A4A's members are Alaska Airlines, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; Hawai'ian Airlines, Inc.; JetBlue Airways Corp.; Southwest Airlines Co.; United Airlines Holdings, Inc.; and United Parcel Service Co. Air Canada, Inc. is an associate member.

[2] We expressed these same views last year on House Bill 1319, which was carried over to the current legislative session. *See* pages 52-54 of https://www.capitol.Hawaii.gov/Session2021/Testimony/HB1319_HD1_TESTIMONY_CPC_02-16-21_.PDF.

winglets (which improve aerodynamics) and cutting-edge route-optimization software. But, despite our strong record to date, A4A and our member airlines are not stopping there.

Since 2009, A4A and our members have been active participants in a global aviation coalition that committed to 1.5 percent annual average fuel efficiency improvements through 2020, with goals to achieve carbon-neutral growth beginning in 2020 and a 50 percent net reduction in CO_2 emissions in 2050, relative to 2005 levels.[3] On March 30, 2021, A4A announced a significant strengthening of these climate commitments.[4] Together with our member carriers, we pledged to work across the aviation industry and with government leaders in a positive partnership to achieve net-zero carbon emissions by 2050.[5] With consistent analyses showing that tremendous quantities of SAF must be deployed for the industry to meet its climate goals, A4A carriers also pledged to work with the government and other stakeholders toward a rapid expansion of the production and deployment of commercially viable SAF to make 2 billion gallons available to U.S. aircraft operators in 2030. On September 9, 2021, as a complement to the federal government's announcement of a SAF "Grand Challenge," A4A and its members increased the A4A SAF "challenge goal" by an additional 50 percent, calling for 3 billion gallons of cost-competitive SAF to be available to U.S. aircraft operators in 2030.[6]

The efforts our airlines are undertaking to further reduce GHG emissions are designed to limit their fuel consumption, GHG contribution and potential climate change impacts responsibly and effectively, while allowing commercial aviation to continue serving as a key contributor to the U.S., global, Hawai'ian, and local economies as our nation and the world continue to recover from the devastating COVID-19 crisis.

A4A members are keenly focused on technology, operations, infrastructure and SAF advances to achieve additional emissions reductions. For example, the U.S. airlines are partnering to modernize the air traffic management system and reinvigorate research and development in aviation environmental technology. In addition, we are dedicated to deploying commercially viable SAF, which could further reduce aviation's GHG emissions while enhancing U.S. energy independence and security. In fact, A4A is a founding member of the Commercial Aviation Alternative Fuels Initiative® (CAAFI), a public-private partnership with the Federal Aviation Administration (FAA) and other stakeholders that is working to ensure the development and deployment of SAF.[7] Having helped lay the necessary technical groundwork, A4A members have been using SAF regularly on commercial flights since 2016. Last year, of course, we strongly supported the Legislature's passage of House Bill 683, which established the Sustainable Aviation Fuel Program within the Hawai'i Technology Development Corporation.[8]

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[3] *See* A4A, "A4A's Climate Change Commitment," available at https://www.airlines.org/a4as-climate-change-commitment/; *see also* Air Transport Action Group, "Climate Change," available at https://www.atag.org/our-activities/climate-change.html.

[4] *See* https://www.airlines.org/news/major-u-s-airlines-commit-to-net-zero-carbon-emissions-by-2050/.

[5] On October 4, 2021, the International Air Transport Association and its member airlines followed suit by also committing to achieve net-zero carbon emissions by 2050. *See* https://www.iata.org/en/pressroom/2021-releases/2021-10-04-03/.

[6] *See* https://www.airlines.org/news/u-s-airlines-announce-3-billion-gallon-sustainable-aviation-fuel-production-goal/. On the federal government's SAF Grand Challenge, see https://www.whitehouse.gov/briefing-room/statements-releases/2021/09/09/fact-sheet-biden-administration-advances-the-future-of-sustainable-fuels-in-american-aviation/ and https://www.energy.gov/eere/bioenergy/sustainable-aviation-fuel-grand-challenge.

[7] For more on CAAFI, see http://caafi.org/.

[8] *See* https://www.capitol.Hawai'i.gov/slh/Years/SLH2021/SLH2021_Act180.pdf and pp. 9-12 of https://www.capitol.Hawai'i.gov/Session2021/Testimony/HB683_HD1_TESTIMONY_CPC_02-16-21_.PDF.

Further, our global aviation coalition supported an agreement reached in 2016 at the International Civil Aviation Organization (ICAO), the standard-setting body for international aviation, for the development of an international carbon offsetting system (known as the Carbon Offsetting and Reduction Scheme for International Aviation or "CORSIA") to "fill the gap" should concerted industry and government investments in technology, operations and infrastructure measures otherwise not allow us to achieve our goal of carbon-neutral growth starting in 2020. Importantly, the U.S. is implementing the CORSIA agreement, which commenced with emissions monitoring, reporting and verification requirements in 2019 to support the emissions offsetting obligation that went into effect last year (i.e., on January 1, 2021).

Our industry also supported the agreement reached at ICAO in 2016 for a CO_2 certification standard for future aircraft, as it will further support our global aviation coalition's emissions goals, along with other technology, operations, infrastructure and SAF initiatives. The U.S. Environmental Protection Agency (EPA) and FAA, which participate directly in the ICAO emissions standard-setting process and led much of the work as the CO_2 certification standard was developed, adopted the standard into U.S. law with the internationally agreed dates of 2020 for new-type design aircraft, 2023 for newly manufactured in-production aircraft types, and 2028 as an absolute production cutoff for unique and exceptional types.[9]

Commercial aircraft cross state (and national) borders and cannot be subject to overlapping or conflicting state and local requirements. Therefore, federal law preempts state and local government regulation of aircraft emissions and the content of and emissions related to commercial jet fuel.[10] Thus, notwithstanding the provision in section 3 of SB 2007 directing that all revenue stemming from the carbon emissions tax on aviation fuel be deposited in the airport revenue fund, the State of Hawai'i would be precluded from adopting legislation of this nature. As your Committee and other Committees consider the legislation in the coming days, we urge you to take into account the federal provisions addressing aviation GHG emissions, our industry's continual drive for greater fuel efficiency and our commitments for further GHG emissions reductions.

Although we oppose SB 2007 in the strongest possible terms, we nevertheless take this opportunity to point out several inaccuracies in the legislative text. Lines 6-10 on page 2 refer to the ICAO CORSIA agreement. As indicated above, CORSIA is designed to help aviation achieve carbon-neutral growth beginning in 2020, and it enables aircraft operators to reduce their annual offsetting obligation by using SAF. CORSIA does not set a "mandate" for international commercial aviation, nor does it require airlines to "reduce aviation [GHG] emissions to fifty percent below 2005 levels by 2050." That 50% reduction target was adopted by the global aviation industry and has since been superseded by its new commitment to achieve net-zero carbon emissions by 2050. Rather, CORSIA supports GHG emissions savings now and through 2035 by imposing an obligation for aircraft operators to offset any increases in carbon emissions from international

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[9] *See* 86 Fed. Reg. 2136 (Jan. 11, 2021).

[10] Federal preemption is established both under the federal Clean Air Act (CAA) and federal aviation law. For example, section 233 of the CAA explicitly preempts states and their political subdivisions from "adopt[ing] or attempt[ing] to enforce any standard respecting emissions of any air pollution from any aircraft or engine thereof unless such standard is identical to a standard" established by EPA, 42 U.S.C. § 7573, while section 44714 of title 49 of the U.S. Code stipulates that the FAA has exclusive jurisdiction over jet fuel. Further, courts have long held that the Federal Aviation Act of 1958 creates a "uniform and exclusive system of federal regulation" of aircraft that preempts state and local regulation. *Burbank v. Lockheed Air Terminal, Inc.*, 411 U.S. 624, 639 (1973); see also *American Airlines v. Department of Transp.*, 202 F.3d 788, 801 (5th Cir. 2000) (aviation regulation is an area where "[f]ederal control is intensive and exclusive") (quoting *Northwest Airlines, Inc. v. Minnesota*, 322 U.S. 292, 303 (1944)). This pervasive federal regulatory scheme extends not only to aircraft in flight, but also to aircraft-related operations on the ground. In addition, the Airline Deregulation Act precludes states from "enact[ing] or enforc[ing] a law, regulation, or other provision having the force and effect of law related to a price, route or service." 49 U.S.C. § 41713(b)(1).

flights. This offsetting obligation, which currently applies to aircraft operators from the U.S. and 106 other countries,[11] will become applicable to virtually all international flights in 2027.[12] Section 1(5) of Act 180 from the 2021 Session Laws of Hawai'i provides an accurate description of CORSIA.

In addition, with regard to lines 5-7 on page 2, we wish to emphasize that establishing a carbon emissions tax on aviation fuel would not "help the [air transportation] industry serving Hawai'i meet" its CORSIA offsetting obligations. To the contrary, such a tax would double charge airlines for the emissions already covered under CORSIA (in addition to purchasing offsets for those emissions, airlines would have to pay Hawai'i's "carbon tax" on those very same emissions). This directly contravenes ICAO Resolution A40-19, where the ICAO Assembly "*determine[d]* that the CORSIA is the only global market-based measure applying to CO_2 emissions from international aviation so as to avoid a possible patchwork of duplicative State or regional MBMs, thus ensuring that international aviation CO_2 emissions should be accounted for only once."[13] The intent that CORSIA apply exclusive of any other local, individual country or regional measures is intended to ensure that measures like SB 2007 do not drain airline resources that could be used to acquire more fuel-efficient aircraft, implement operational improvements and purchase SAF. In this regard, we also disagree with the assertion a carbon tax on "aviation fuel," which includes SAF, "will allow for the development of [SAF] capability in Hawai'i."[14]

Thank you for your consideration.

Sincerely,

VP, State and Local Government Affairs
swilliams@airlines.org

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[11] *See* https://www.icao.int/environmental-protection/CORSIA/Documents/CORSIA_States_for_Chapter3_State_Pairs_Sept2020.pdf.

[12] Under the agreement made by the 193 countries party to ICAO, CORSIA's offsetting obligation is being implemented in stages. Starting in 2021, offsetting is required for international flights to/from those countries (including the U.S.) that agreed to participate in the three-year pilot phase (2021-2023) and three-year first phase (2024-2026) of CORSIA. The offsetting obligation becomes mandatory for flights to/from all countries except the least developed countries beginning in 2027. Importantly, CORSIA does not apply to domestic (non-international) flights.

[13] ICAO Assembly Resolution A40-19 (adopted Oct. 2019) at ¶18 (emphasis in original), available at https://www.icao.int/environmental-protection/Documents/Assembly/Resolution_A40-19_CORSIA.pdf.

[14] We also note that the legislation is not clear with respect to the tax level intended, stating that it will be "$6.25 per ton of carbon dioxide equivalent emissions" (page 7, line 19) and also that "the tax shall be $0.0522 per gallon" (page 8, line 2). However, these are not equivalents. The intent of the law is apparently to tie the tax level to carbon dioxide emissions from combustion of aviation fuel as determined by the U.S. Energy Information Administration (EIA). EIA pegs CO2 emissions from jet fuel at 21.5 pounds per gallon, *see* https://www.eia.gov/environment/emissions/co2_vol_mass.php. Using that figure a tax of $6.25 per ton of CO2 implies a charge of roughly $0.067 per gallon for jet fuel. The composition and so emission characteristics of aviation fuels vary. EIA, for example, pegs CO2 emissions from aviation gas (used for general aviation turboprop aircraft) at 18.32 pounds per gallon. The $6.25 per ton of CO2 emissions implies a tax of $0.057 per gallon for aviation gas. So if the intent of the legislation is to create a uniform tax on the basis of cost/gallon of fuel, the language and the figures used in the legislation would need to be modified.

SB-2007
Submitted on: 2/7/2022 7:50:39 AM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Matthew Geyer	Individual	Support	Yes

Comments:

I testifying in support of SB2007, which, by my own rough calculations, would only add a dollar or two to the price of an airline ticket, but provide a significant tax credit benefit to hawaii residents.

This legislation helps Hawaii residents while also putting a fee on aviation fuel, which will help our environment.

Thank you for hearing and supporting this measure.

SB-2007
Submitted on: 2/4/2022 8:46:49 PM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Gerard Silva	Individual	Oppose	No

Comments:

More Bull Shit that is not need. This we only Hurt the people and will do not else.

SB-2007
Submitted on: 2/6/2022 4:11:35 PM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Sabrina Spencer	Individual	Oppose	No

Comments:

What a scam.

SB-2007
Submitted on: 2/7/2022 8:45:35 AM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ted Bohlen	Testifying for Climate Protectors Hawai‘i	Support	No

Comments:

To: The Honorable Michael Gabbard, Chair, The Honorable Clarence Nishihara, Vice Chair, and Members of the Senate Committee on Agriculture and Environment and

The Honorable Chris Lee, Chair, The Honorable Lorraine Inouye, Vice Chair, and Members of the Senate Committee on Transportation

From: Climate Protectors Hawai‘i (by Ted Bohlen)

Re: Hearing SB2007 RELATING TO A CARBON TAX ON AVIATION FUEL.

Tuesday February 8, 2022, 3:00 p.m., by videoconference

Aloha Chair Gabbard, Vice Chair Nishihara, and Members of the Senate Committee on Agriculture and Chair Lee and Vice Chair Inouye and Members of the Senate Committee on Transportation!

Position: Climate Protectors Hawai‘i **Supports SB2007**

Aviation is a very large source of the fossil fuel greenhouse gases that are causing our climate emergency. This tax on aviation fuel will help fund airports and properly charge those who are causing the aviation emissions, with a tax credit for lower income. Please pass this bill!

Mahalo!

Climate Protectors Hawai‘i (by Ted Bohlen)

SB-2007
Submitted on: 2/7/2022 9:19:16 AM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Caroline Azelski	Individual	Support	No

Comments:

Support.

DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAIʻI 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAIʻI EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON AGRICULTURE AND ENVIRONMENT
AND TRANSPORTATION
ON
SENATE BILL NO. 2007

February 8, 2022
3:00 p.m.
Via Videoconference

RELATING TO A CARBON TAX ON AVIATION FUEL

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2007 adds a new section to Chapter 243, HRS, to establish a carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel; amends Section 261-5, HRS, to direct the revenue generated by the carbon emissions tax into the Airport Revenue Fund; and adds a new section to Chapter 235, HRS, to establish a refundable income tax credit for every qualified taxpayer in the State to mitigate the effects of the carbon emissions tax on taxpayers.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawaiʻi complies with this ARP restriction.

Thank you for your consideration of our comments.

SB-2007
Submitted on: 2/7/2022 10:03:21 AM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Douglas Hagan	Individual	Support	No

Comments:

My name is Doug Hagan. I am a resident of Paia, Hawaii and a climate advocate volunteer with the Citizens Climate Lobby chapter here in Maui. These are solely my individual requests and opinions.

I am in support of a resolution to support SB 2007

- **Please enact a carbon tax this year and do not defer this important legislation to a later date.**
- **In December 2019 the Maui County Council unainmously passed Resolution #20-023 in support of national carbon pricing. ttps://www.mauicounty.gov/DocumentCenter/View/121433/Reso-20-023**
- **The Maui County Council passed Resolution #20-024 in full support of Hawaii state legislation supporting carbon pricing. https://www.mauicounty.gov/DocumentCenter/View/121434/Reso-20-024**
- **Please consider the voluminous research which has been done on carbon dividend as an effective solution for combating climate change - including a study published Columbia University and some of the benefits of a carbon dividend approach found here.**
- **Please consider the further studies of the Regional Economic Models, Inc. (REMI) found here.**
- **The Hawaii specific study shows that lower income population segments can benefit, rather than negatively impact the more vulnerable segments of our island population. Please consider returning more of the carbon tax – as is done by the carbon dividend approach.**
- **from Hawaii Tax Review Commission Study - The Hawaii Tax Review Commission, composed of citizens selected by Governor Ige recently recommended a carbon fee and dividend model. It is first on their list of recommendations. With fossil fuels priced to include their planetary impact, a fee incentivizes using alternatives to fossil fuel for energy production, gas-powered appliances and vehicles, which would in turn reduce the devastating effects of climate change. The dividend more than covers the increased cost for those who use less or no fossil fuels.**

- **The UHERO study answers many of the questions about a tax on fossil fuels. However, the study was issued after the only bill taxing fossil fuels that received a hearing in 2021 had died (HB 1319).**
- **In evaluating the tax, the UHERO study examines a low tax scenario and a high tax scenario. In both scenarios, the tax rates would increase in stages over time, and in both scenarios the tax would substantially reduce greenhouse gas emissions. The study also describes the results of distributing all of the tax revenue to households in equal shares. The study finds that the two tax scenarios would have opposite effects on household welfare. Under the high tax scenario, household welfare would diminish among households of all income quintiles, with the greatest loss experienced by households in the lowest income quintile. Under the low tax scenario, household welfare would increase among households of all income quintiles, with the greatest gain experienced by households in the lowest income quintile. Under the low tax scenario, the average household in the lowest income quintile would experience a net benefit of $900 in the first year of the program. That net benefit would decline to $700 in the last year due to declining tax revenue. That decline is consistent with declining greenhouse gas emissions, the purpose of the tax.**

Thank you

--Doug

Citizens'

Financial Impact on Households of Carbon Fee and Dividend

Local Impacts in Hawaii

Introduction

This study on the impact to households of Carbon Fee and Dividend was funded to respond to concerns expressed by members of Congress that constituents in their state would not benefit under our proposal. Key to the concerns expressed was not only understanding how the average constituent did, but how different groups of constituents fared. Concern for low-income constituents, for instance, is common for members of both parties.

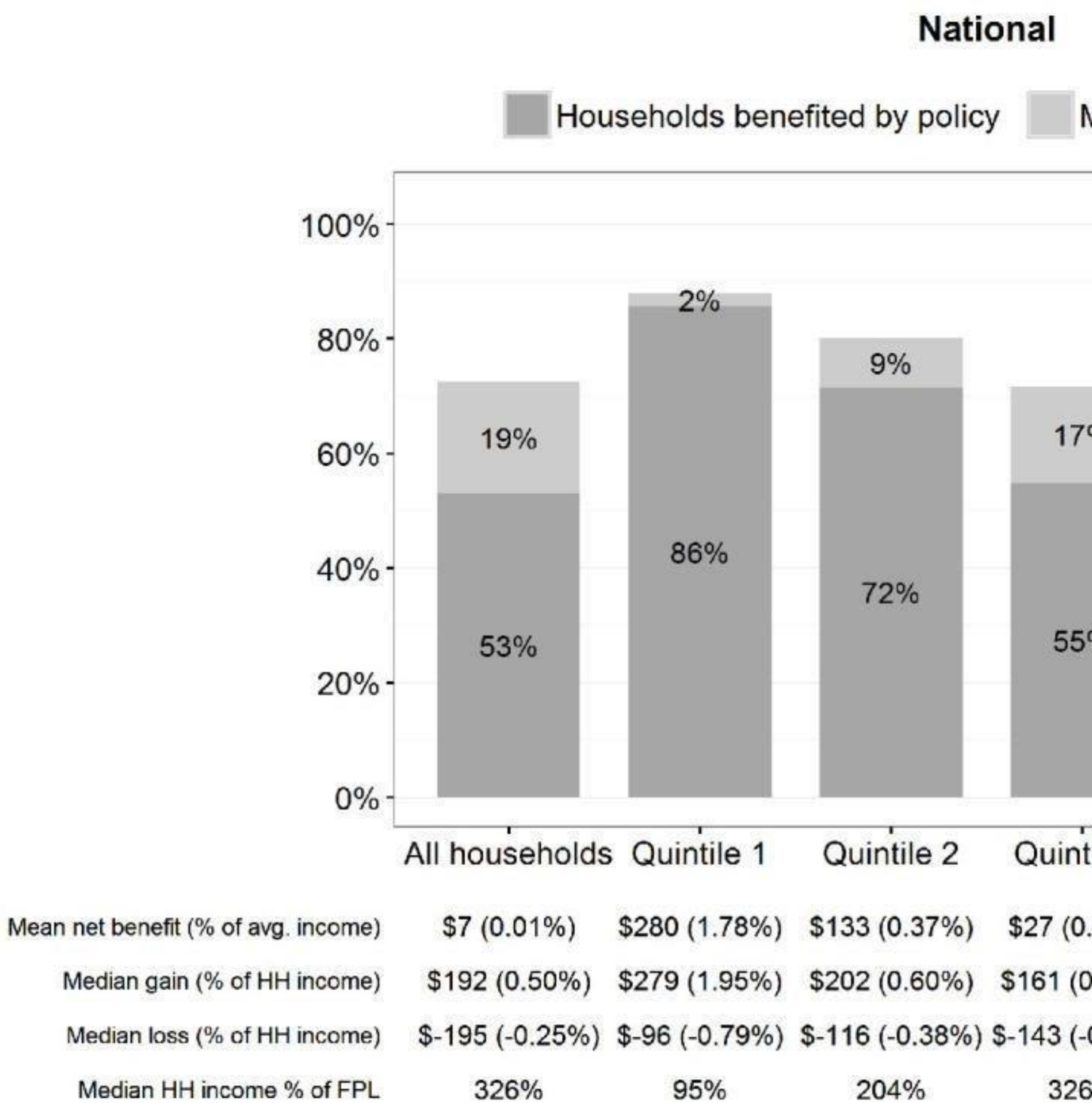

Figure 1: National Averages by Economic Quintile. Note that the three lowest-income quintiles show a benefit for the mean (average) household. The average net benefit for the lowest-income quintile is 1.78% of income, whereas households in the top quintile

experience, on average, net losses that are a much smaller percentage of their total income, at just 0.18%.

All data is from the 2016 working paper, "Impact of CCL's proposed carbon fee and dividend policy: A highresolution analysis of the financial effect on U.S. households" by Kevin Ummel, Research Scholar, Energy Program, International Institute for Applied Systems Analysis (IIASA).

Current working paper and summary available at http://citizensclimatelobby.org/household-impact/

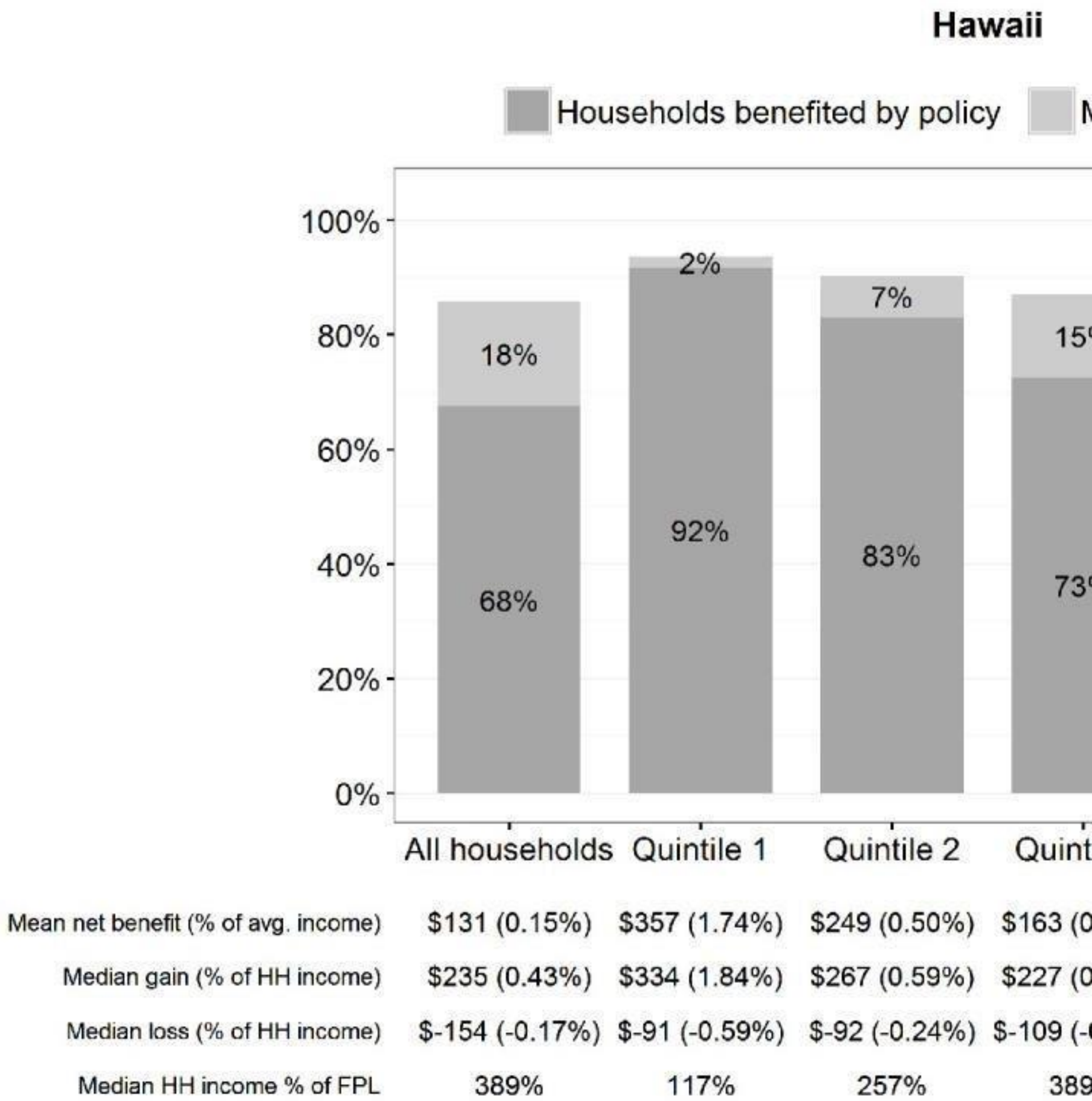

Figure 2: Impact by Quintile for Hawaii. Looking at the categories on the bottom of this graph, only the numbers for "Mean Net Benefit" and "Median HH income % of FPL" include all households in a given quintile (FPL = Federal Poverty Line). Only those households who receive a financial gain are included in calculating the "Median Gain"

figures, and likewise, only those households which experience a loss are included in calculating the "Median Loss" figures.

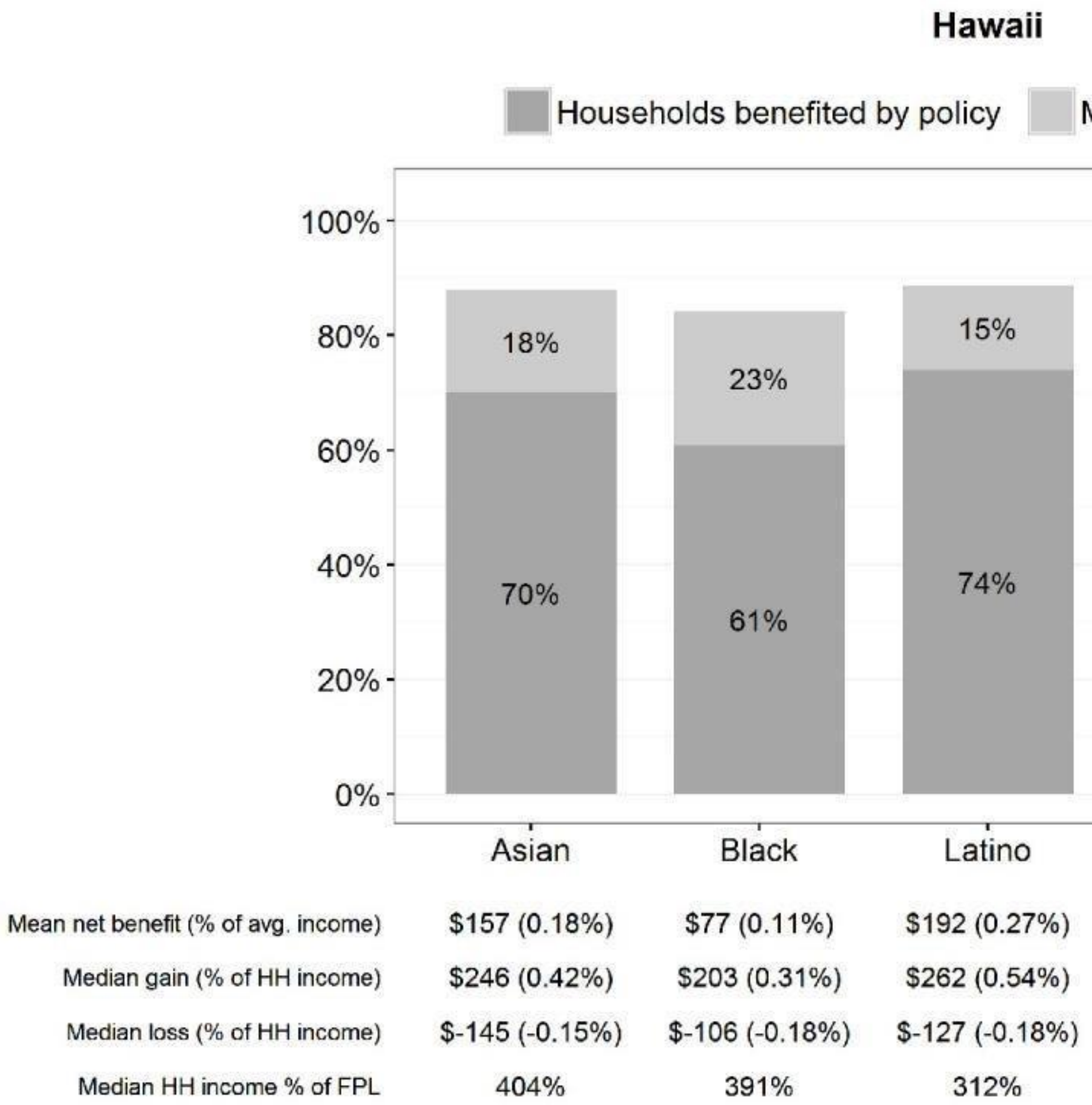

Figure 3: Impact by Race for Hawaii. Minority households tend to do better than white households as a result of lower average incomes (associated with lower carbon footprint) and/or more people per household (larger pre-tax dividend).

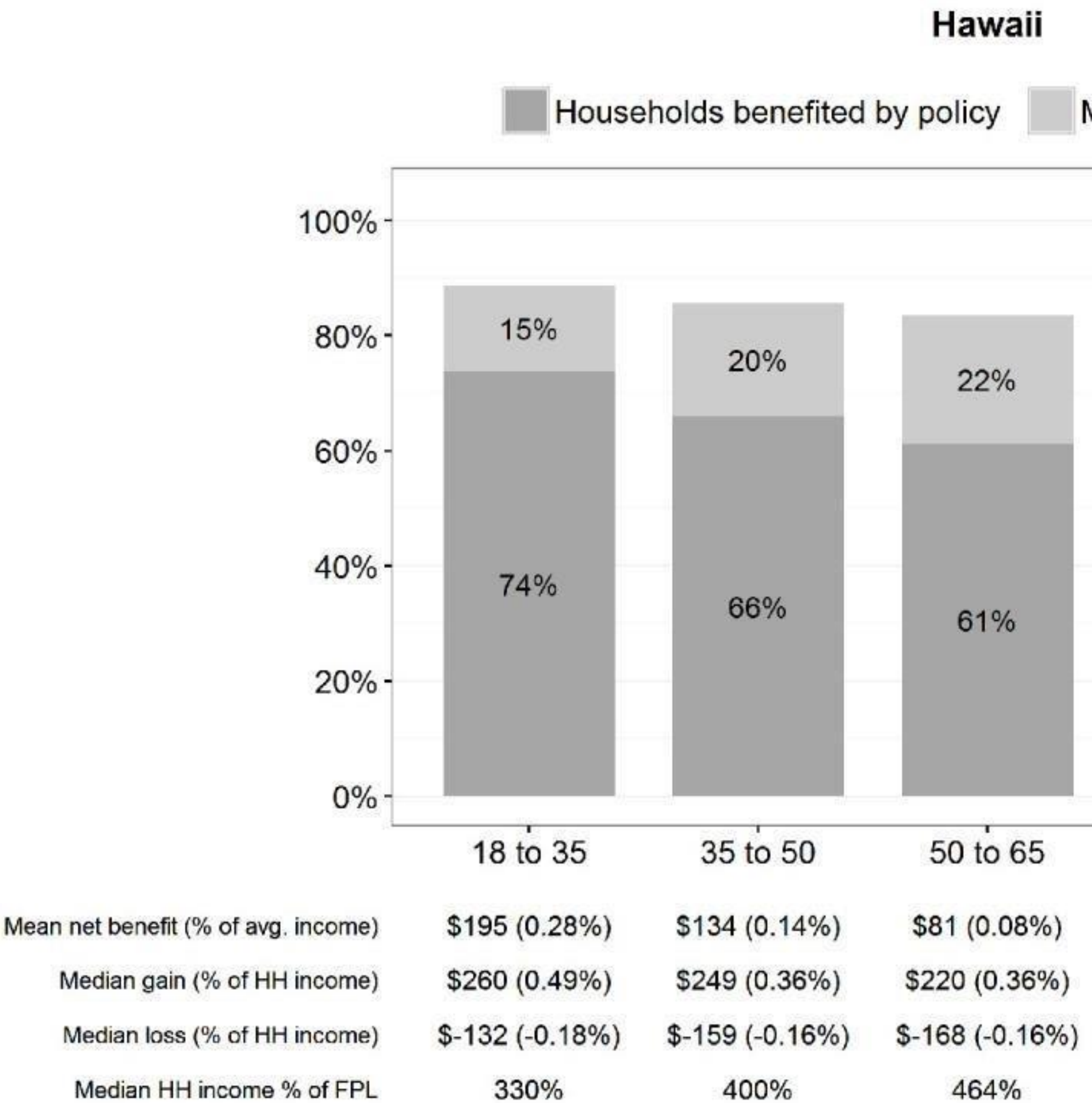

Figure 4: Impact by Age Group for Hawaii. The pattern of benefits across age groups makes sense given the impact of age on both carbon footprints and dividend received. Older households tend to have smaller footprints, reflecting reduced mobility and less consumption as a result of low fixed incomes. Younger households tend to be larger – and therefore benefited by the dividend formula – in addition to less income/consumption in early career.

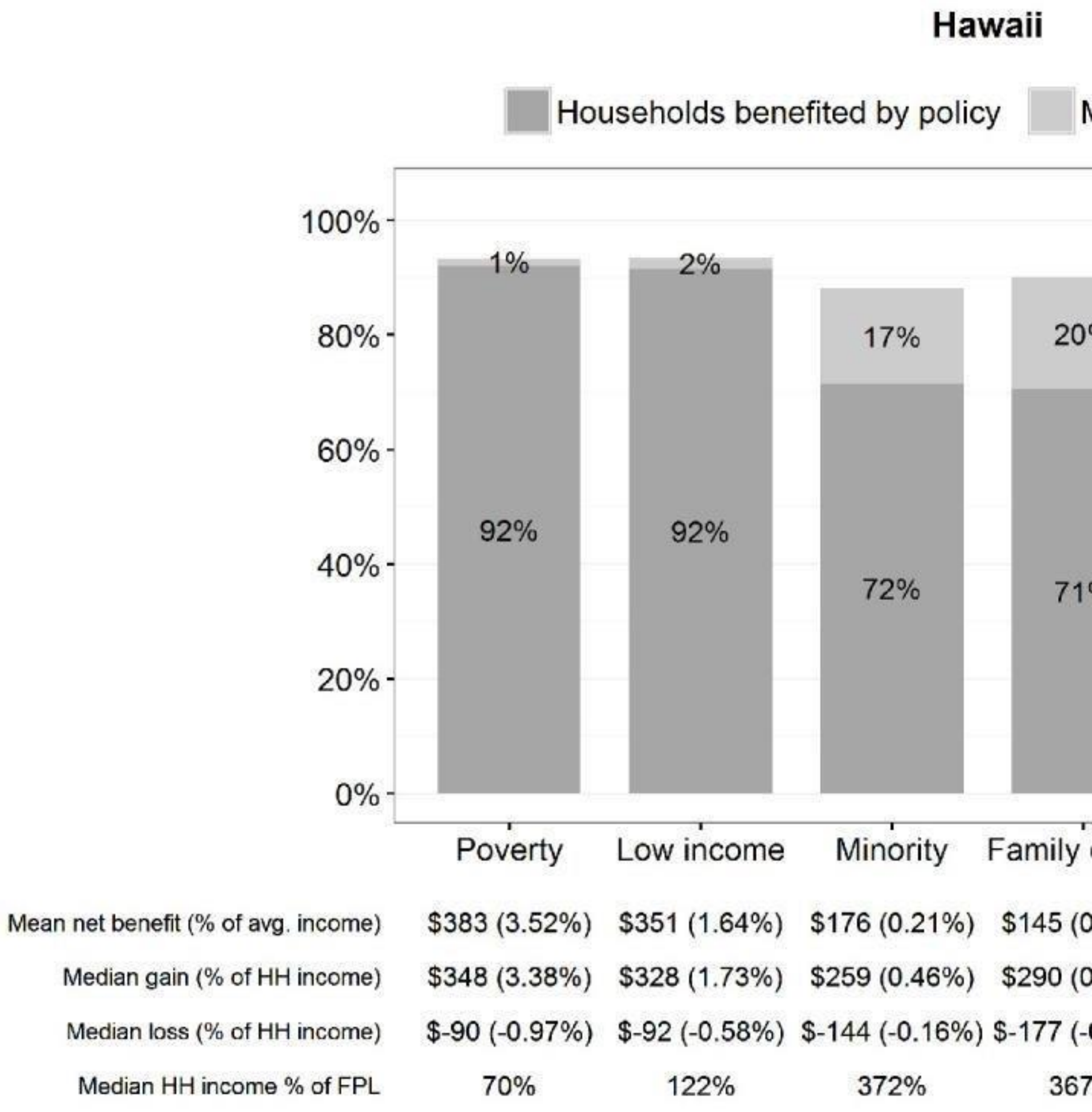

Figure 5: Impact by Household Type for Hawaii. This graph reports data for demographic groups of particular interest to many legislators. "Elderly" households are defined as having a household head age 65 or older, no more than two adults, and no children present.

“Poverty” and “Low income” refer to households with income below 100% and 200% of FPL, respectively.

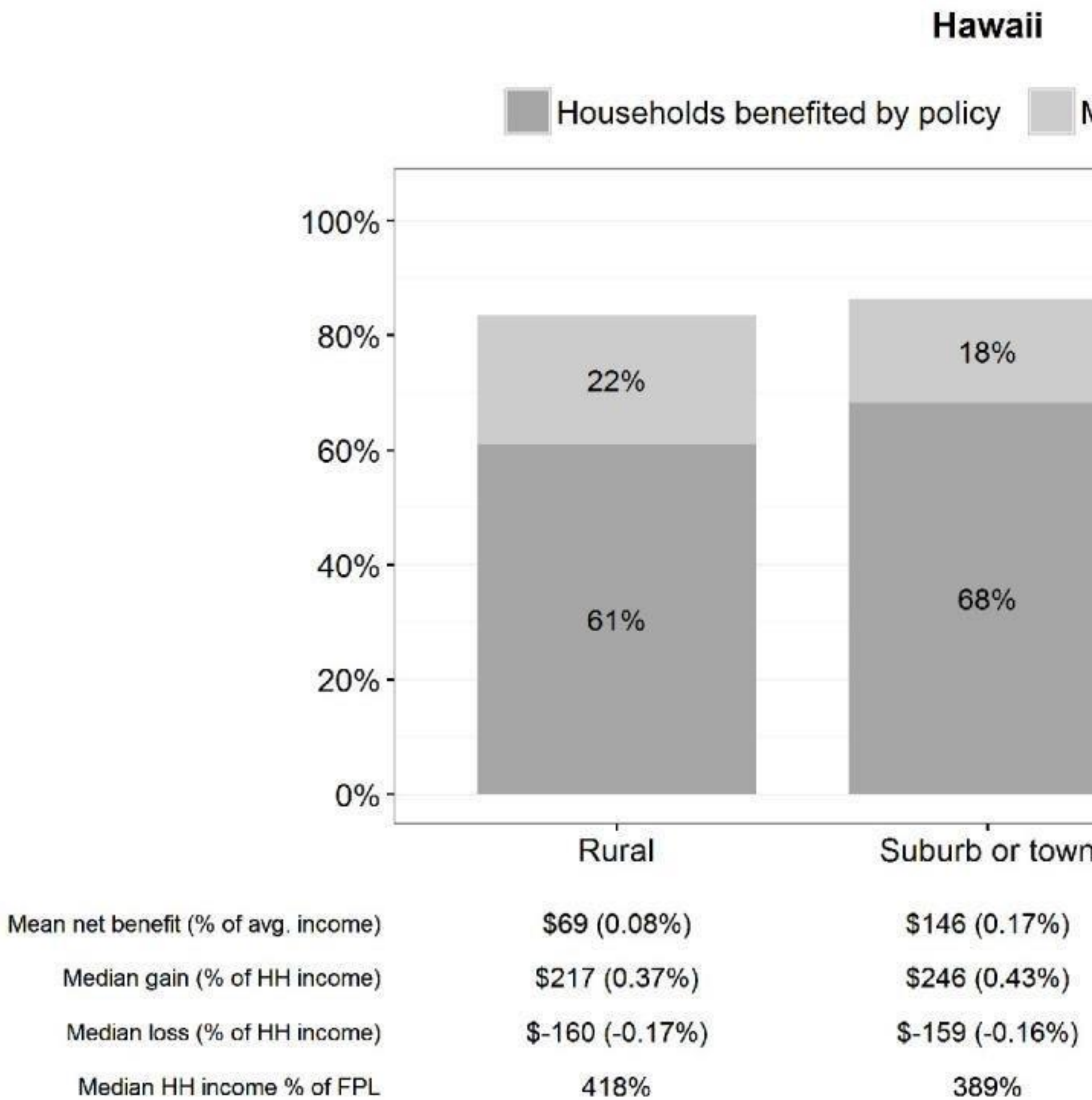

Figure 6: Impact by Community for Hawaii. This graph breaks down data by "community type" – Rural, Suburb or Town, vs Urban.

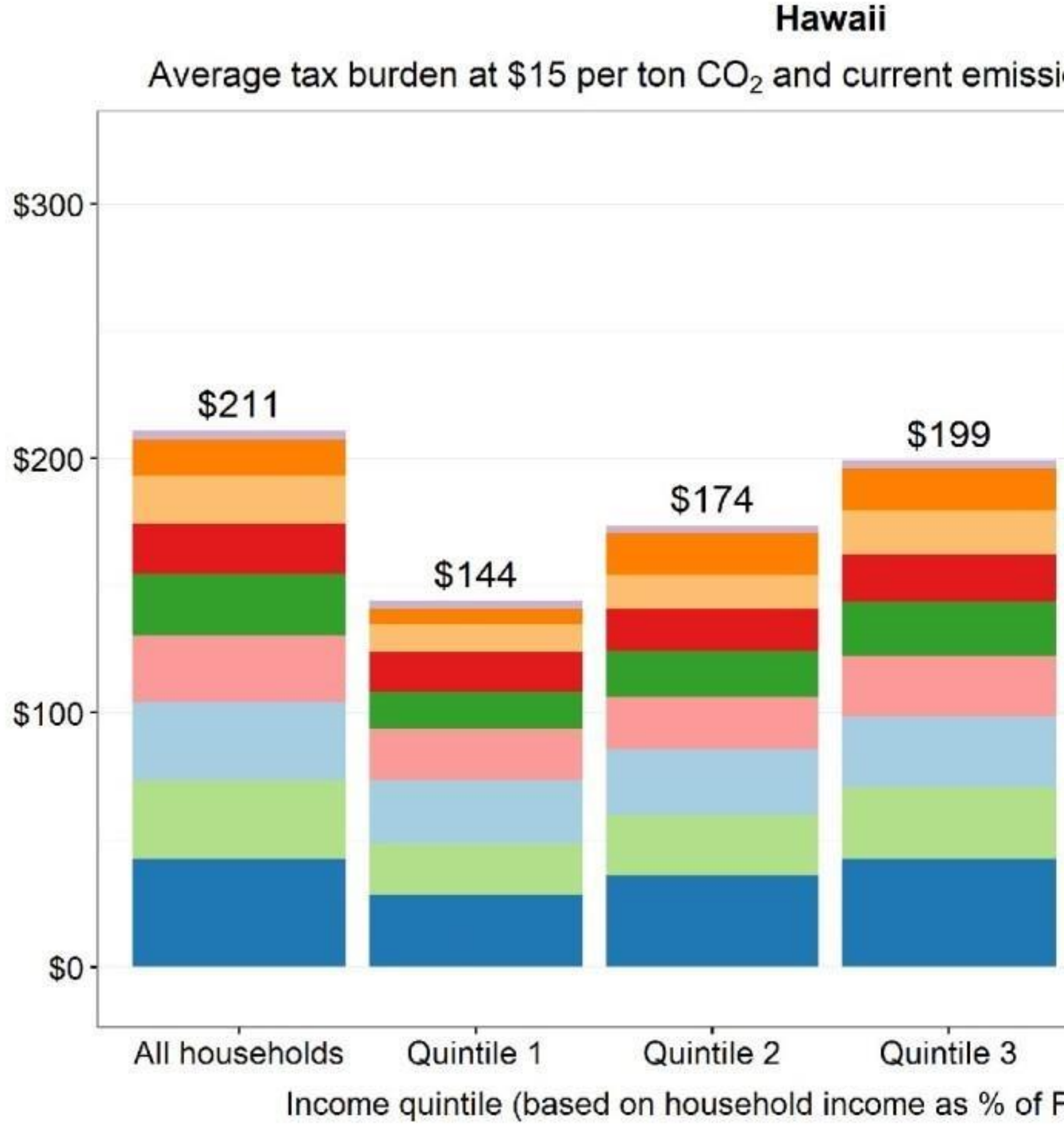

Figure 7: Expenditures by Category for Hawaii. Here we show a breakdown of where the carbon fee increases expenses (i.e. before the dividend) for each quintile. Note that direct energy expenditures (gasoline and utilities) represent less than half of the expense for most quintiles with other products and services making up the rest. Quintile 1 shows low expenditure for private health care since most health care for households in this quintile is covered by government programs. Allocated Private Fixed Income (PFI) measures economy-wide spending on fixed assets (e.g. structures, equipment, software, etc.) that are used in the production of goods and services.

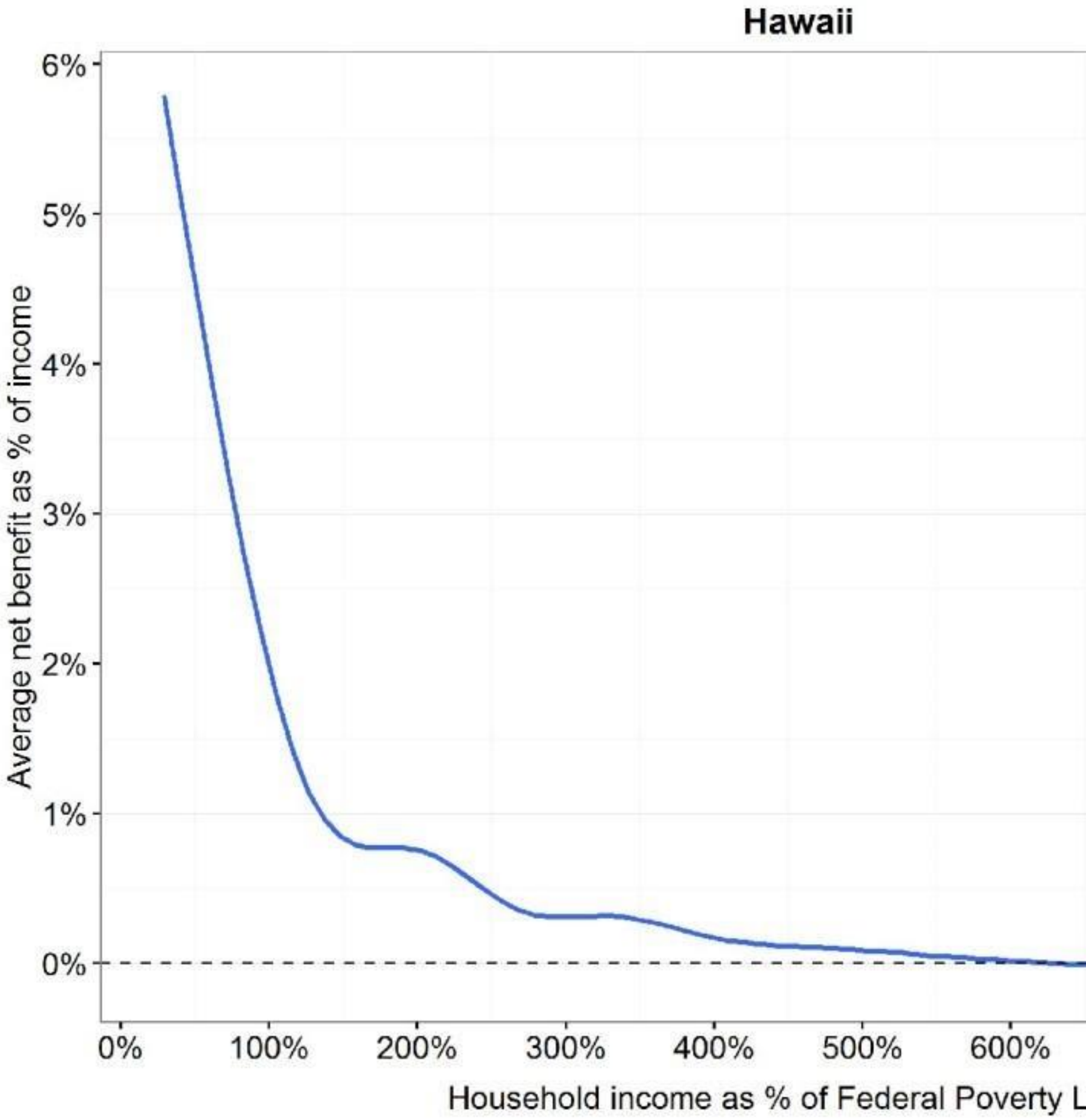

Figure 8: Relationship between benefit and income for Hawaii. This line graph shows the relationship between income expressed as a percentage of the Federal Poverty Level (FPL) vs. the average (mean) benefit as a percentage of income for households. Benefits are highest for those at the lowest income levels and generally positive through 200-300% of

the FPL. Average loss for those with higher incomes is relatively small as a percentage of annual income. To avoid anomalies from small sample size at the margins, this graph does not include results for households in the bottom 1% of income, nor those above the 90th percentile of income in Hawaii. This graph also does not convey information about how much of the population in Hawaii is at any given point along the line.

ELEMENTAL
EXCELERATOR

Written Statement of Elemental Excelerator
before the House Energy and Environmental Protection Committee

In consideration of SB2007 RELATING TO A CARBON TAX ON AVIATION FUEL
Feb 7, 2022

Aloha Chair LEE, Vice-Chair INOUYE, and Members of the Senate Committee on Transportation:

Elemental Excelerator respectfully submits **support** for SB2007.

Elemental Excelerator is a Honolulu-based non-profit organization that supports climate positive startup companies that are helping solve Hawai'i's most urgent environmental problems. Each year, we select 15-20 companies annually that best fit our mission and fund each company up to $1 million. To date, we have awarded over $48 million to 135 companies resulting in 80 demonstration projects in Hawaiʻi & the Asia Pacific.

We support SB 2007 and the imposition of a state carbon emissions tax on aviation fuels, and the implementation of a tax credit to mitigate the effects of this tax on lower income taxpayers.

Elemental Excelerator has helped support dozens of climate tech solution companies that create good jobs, help transition our economy to 100% clean energy, and lower the energy burden for companies and households throughout the islands. HB 2007 will help the State of Hawaii lead by example in the areas of carbon taxation, aviation decarbonization, and reducing global greenhouse gas emissions.

Mahalo for the opportunity to provide testimony.

SB-2007
Submitted on: 2/7/2022 2:27:02 PM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Keith Neal	Individual	Support	No

Comments:

I support SB2007

This nominal fee fee on aviation fuel is sorely needed to defray wear and tear on our aviation infrastructure and fund environmental mitigation due to air travel.

Respectfully submitted,

Keith Neal

SB-2007
Submitted on: 2/7/2022 2:26:59 PM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Virginia Tincher	Individual	Support	No

Comments:

Please support SB2007, which would add a dollar or two to the price of an airline ticket, but provide a significant tax credit benefit to hawaii residents who would have the opportunity to use it to help reduce emissions in Hawaii by switching from gas to electric appliances and purchasing an electric vehicle.

Thank you for hearing and discussing the benefits of SB2007 and addressing any concerns.

SB-2007
Submitted on: 2/7/2022 5:25:11 PM
Testimony for AEN on 2/8/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Kimo Cruz	Individual	Oppose	No

Comments:

I don't want to pay this. Go tax rich people and not the middle class.

TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 8, 2022

Re: SB 2007 RELATING TO CARBON TAX ON AVIATION FUEL

Good afternoon, Chairperson Gabbard and Chairperson Lee and members of the Sente Committee on Agriculture and the Environment and The Senate Committee on Transportation. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

We are in opposition of SB 2007 Relating to a Carbon Tax on Aviation Fuel. This measure imposes a state carbon emissions tax of $6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel. Directs the aviation fuel tax into the airport revenue fund. Implements a tax credit to mitigate the effects of this tax on lower income taxpayers.

While the obvious impact would be to those traveling to and from Hawaii for business, vacation, to visit family and friends, many consumer products are flown into Hawaii. Shipping rates in the past two years have also increased substantially. We are also dependent on goods being delivered either through ships or air cargo. Should the state mandate a carbon emissions tax on all aviation fuel, it will ultimately drive the prices up of not only air travel but also the price of many goods, thus continue to make Hawaii one of the most expensive places to live.

The consumer price index climbed 7% in 2021, the largest 12-month gain since June 1982, according to US Bureau of Labor Statistics. The US Department of Labor pointed out that in December of 2021 alone, the Consumer Price Index rose .5%. Adding on a carbon tax to aviation fuel, retailers will pass on the cost to the customer. However, retailers are not able to always pass on the increased costs pushed onto them. Many items have a tag with the Manufacture Suggested Retail Price (MSRP) which is the highest price a store will sell an item for. If we sell above this and people will find the item elsewhere cheaper. Retailers look at other ways to make up for the loss – hiring freeze, open shorter hours, not renewing leases on all locations, investing in self checkouts, or closing their brick-and-mortar store to sell only online to name a few

We have all seen the price increases when we go to the grocery store or purchase new shoes or clothing. If we continue to drive up the costs of goods being sold in Hawaii, we will see more people ordering online on sites that offer free shipping and may not have any ties to Hawaii. As a result, we may see even more of our local stores having to lay off their employees as they close for good. Let's not price Hawaii out of the reach of more locals to continue to live here.

We urge you to hold this measure.

Mahalo for this opportunity to testify.

3610 Waialae Ave • Honolulu, HI 96816 (808) 592-4200 tyamaki@rmhawaii.org