

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 700, Relating to the Fuel Tax

**BEFORE THE:**

House Committee on Economic Development

**DATE:** Friday, February 10, 2023

**TIME:** 10:30 a.m.

**LOCATION:** State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 700 for your consideration.

H.B. 700 suspends the fuel tax for a one-year period by amending section 243-4, Hawaii Revised Statutes (HRS). The bill has an effective date of July 1, 2023, with a repeal date of June 30, 2024, at which time section 243-4, HRS, shall be reenacted in the form that existed prior to July 1, 2023.

Because this bill will require tax form and system changes, the Department requests that the effective date of the bill be amended to no earlier than January 1, 2024 and the repeal date be amended accordingly. The Department notes, however, that due to the number of bills with tax law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session by January 1, 2024. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

Thank you for the opportunity to provide testimony on this measure.



**TESTIMONY BY:**  
EDWIN H. SNIFFEN  
DIRECTOR  
  
Deputy Directors  
DREANALEE K. KALILI  
TAMMY L. LEE  
ROBIN K. SHISHIDO  
JAMES KUNANE TOKIOKA

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

February 10, 2023  
10:30 A.M.  
State Capitol, Room 423, Videoconference

**H.B. 700**  
**RELATING TO THE FUEL TAX**

House Committee on Economic Development

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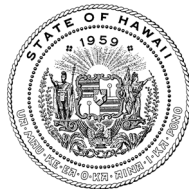
The Department of Transportation (DOT) **opposes** H.B. 700, which proposes to suspend the state fuel tax for a one-year period from July 1, 2023 to June 30, 2024.

DOT is funded from user fees like the gas tax, which pays for operations, maintenance and improvements to land transportation facilities, and serve as a state match for federal funding. If removed as a source of funding for the Highway program without providing at least an equal and available replacement source, it would be detriment to the Highways Division in the following ways:

- This bill will suspend the state fuel tax in fiscal year 2024, which is a major revenue source for the State Highway Fund. The estimated loss of revenue is anticipated to be \$79.6 million in fiscal year 2024.
- The state fuel tax is a major source of pledged revenues for the Highway Revenue Bonds. The elimination of this revenue source will require disclosure and may impact the Highways Revenue Bond ratings.
- The highways financial plan relies on the state fuel tax revenues to support the continued operations and maintenance of the State Highway System and any decrease in revenues will have an adverse impact to the ability of the Highways Division to continue to operate, maintain, and construct our highways.
- The suspension of the state fuel tax would necessitate a significant reduction 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 FHWA including the loss of federal funds.
- The suspension of the state fuel tax will also impact the DOT's ability to provide state matching funds for the highways federal-aid program. The lack of adequate state matching funds could result in a loss of federal funds. The normal federal share for projects on the interstate system is 90 percent and for other eligible roadways it is 80 percent. It would not be in the best interest of the public to risk losing these funds because the state lacks it's 10 or 20 percent matching share.

Thank you for the opportunity to provide testimony.

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

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

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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HONOLULU, HAWAII 96810-0150

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

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
ON  
HOUSE BILL NO. 700

**February 10, 2023**  
**10:30 a.m.**  
**Room 423 and Videoconference**

RELATING TO THE FUEL TAX

The Department of Budget and Finance (B&F) opposes this bill.

House Bill No. 700 proposes to suspend the State fuel tax for the period of July 1, 2023 to June 30, 2024.

B&F is concerned that this measure will have an adverse impact on the Highway revenue bonds. The State fuel tax revenues are a significant component of the revenues pledged behind Highway revenue bonds and suspension of the State fuel tax will impair meeting the Highway revenue bond covenant requirements. This measure could impact the Department of Transportation's credit rating and therefore result in higher interest rates for Highway projects. The measure will also adversely impact the State's ability to issue additional Highway revenue bonds that provide funding for State highway projects.

Thank you for your consideration of our comments.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: FUEL, Temporary Suspension

BILL NUMBER: HB 700

INTRODUCED BY: GATES, COCHRAN, KILA, LAMOSAO

EXECUTIVE SUMMARY: Suspends the state fuel tax for the period of July 1, 2023, to June 30, 2024.

SYNOPSIS: Amends section 243-4(a)(4)-(7), HRS, to zero out the tax rates for liquid fuel other than (1) diesel oil, which tax remains at 1 cent per gallon; (2) aviation fuel, which tax remains at 1 cent per gallon; and (3) naphtha for use in a power generation facility, which tax remains at 2 cents per gallon.

Amends section 243-4(b)(1)-(4), HRS, to zero out the additional tax on diesel oil that is used to operate a motor vehicle upon public highways of the State.

EFFECTIVE DATE: July 1, 2023; repeals June 30, 2024.

STAFF COMMENTS: The bill calls for the State to suspend its tax on gasoline and diesel (to power cars that travel upon our highways) for one year.

In June 2022, President Biden called upon the states to temporarily suspend their gas taxes, and asked Congress to do the same, for a 90-day period to give families relief from gas prices that had been spiking around the world.

It is debatable whether current conditions call for such relief, and for a one-year period.

Digested: 2/8/2023

# GRASSROOT INSTITUTE OF HAWAII

February 10, 2023

10:30 a.m.

Conference Room 423 and Via Videoconference

**To: House Committee on Economic Development**

**Rep. Daniel Holt, Chair**

**Rep. Rachele Lamosao, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Ted Kefalas, Director of Strategic Campaigns**

RE: HB700 — RELATING TO THE FUEL TAX

## ***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [HB700](#), which would suspend the 16 cents-per-gallon fuel tax between July 1, 2023 and June 30, 2024.

This measure would provide taxpayers well-deserved relief, especially as Hawaii's fuel prices continue to remain close to \$5 a gallon — well above the national average of \$3.43.<sup>1</sup>

Part of this high cost is due to various taxes and fees. In addition to the state gas tax of 16 cents a gallon, consumers in Hawaii pay an 18 cents-per-gallon federal gas tax, the state 4% general excise tax, county excise tax surcharges and numerous other taxes and fees, including the environmental response, energy and food security tax.<sup>2</sup>

In total, Hawaii residents pay taxes and fees of approximately 70 cents per gallon,<sup>3</sup> giving them one of the highest gas tax burdens in the country.<sup>4</sup>

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<sup>1</sup> "[Hawaii Average Gas Prices](#)," AAA, accessed Feb. 9, 2023.

<sup>2</sup> "[Hawaii's Fuel Tax](#)," Hawaii Department of Taxation, Tax Facts 99-1, March 2021.

<sup>3</sup> "[Notes to State Motor Fuel Excise and Other Taxes](#)," American Petroleum Institute, Jan. 1, 2022, p. 3.

<sup>4</sup> Jared Walczak and Erica York, "[State and Local Tax Burdens, Calendar Year 2022](#)," Tax Foundation, April 7, 2022.

This burden adds up quickly, especially for middle- income families who depend on their vehicles for daily transportation. According to a 2022 analysis by Honolulu Civil Beat — back when gas was just \$4.50 a gallon — a Hawaii family owning a Toyota Tacoma and driving 30 miles a day would rack up a gas bill of about \$200 a month.<sup>5</sup>

Combined with inflation and the state’s already high cost of living, high fuel prices are just one more headache for Hawaii’s working families.

Lifting gasoline taxes would be a straightforward way to provide them relief. Should this measure pass, Hawaii would not be alone. Six states and Puerto Rico declared gas tax holidays of some form or fashion in 2022.<sup>6</sup>

As we wrote back in June 2022, “Rather than use state and county budget surpluses as an excuse to keep spending, our state and county governments should tighten their belts — like the rest of us have been forced to do — and implement tax relief ... to help us offset our increasing fuel, utility and grocery bills.”<sup>7</sup>

In general, Hawaii residents could use any tax reduction now, especially since the state already has one of the highest tax burdens in the nation. Hawaii’s population has been suffering a net decline for each of the past six years, with the state’s high cost of living and lack of employment opportunities being among the most cited reasons.<sup>8</sup>

This bill is both well-intentioned and practical. We applaud your committee for considering it.

Thank you for the opportunity to submit our comments.

Sincerely,

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

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<sup>5</sup> Stewart Yerton, “[Why It Costs So Much To Own A Car In Hawaii](#),” Honolulu Civil Beat, March 7, 2022.

<sup>6</sup> Rocky Mengle, “[Is There a Gas Tax Holiday in Your State?](#)” Kiplinger, Dec. 9, 2022.

<sup>7</sup> Keli'i Akina, “[We can do something about inflation](#),” Grassroot Institute of Hawaii, June 18, 2022.

<sup>8</sup> Maria Wood, “[Where People from Hawaii Are Moving to the Most](#),” 24/7 Wall Street, Jan. 23, 2022.

**HB-700**

Submitted on: 2/8/2023 10:23:47 AM

Testimony for ECD on 2/10/2023 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I support this Bill.

**HB-700**

Submitted on: 2/8/2023 4:38:46 PM

Testimony for ECD on 2/10/2023 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lynn Murakami Akatsuka	Individual	Support	Written Testimony Only

Comments:

I strongly support the passage of HB 700 to suspend the state fuel tax statewide for the period of July 1, 2023 to June 30, 2024. I appreciate the legislature's response to helping residents in lowering state taxes during this difficult increasing cost of living expenses.

If the state's economy continues at a high cost of living expense level beyond June 30, 2024, and enters into a recession; I hope that the legislature will extend the suspension of the state fuel tax statewide.

Thank you for the opportunity to testify in strong support of HB 700.



**HB-700**

Submitted on: 2/8/2023 4:50:19 PM

Testimony for ECD on 2/10/2023 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Clayton Akatsuka	Individual	Support	Written Testimony Only

Comments:

I strongly support the passage of HB 700. The cost of regular gas is ridiculously high. Please pass this bill as it will have impact on not only residents but to small businesses who transport goods across the islands.

Thank you for the opportunity to strongly support HB 700.

**HB-700**

Submitted on: 2/8/2023 4:51:42 PM

Testimony for ECD on 2/10/2023 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
GALE M SHODA	Individual	Support	Written Testimony Only

Comments:

I strongly support the passage of HB 700. Thank you for responding to residents' pleas for some tax relief.

**HB-700**

Submitted on: 2/8/2023 4:53:14 PM

Testimony for ECD on 2/10/2023 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ken k Shoda	Individual	Support	Written Testimony Only

Comments:

I strongly support the passage of HB 700. It will help all of us across the state.