

JAN 20 2023

A BILL FOR AN ACT

RELATING TO TAXATION OF AVIATION FUEL.

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

1 SECTION 1. The legislature finds that the State's
2 ambitious and ground-breaking efforts to address climate change
3 have overlooked aviation fuel and the resulting greenhouse gas
4 emissions. Air transportation accounts for one-third of
5 Hawaii's petroleum use, more than any other sector, according to
6 the state energy office's 2018 statistics. Unsurprisingly, air
7 travel is one of the largest sources of the State's greenhouse
8 gas emissions. Since Hawai'i is largely accessed through air
9 travel, the carbon emissions accumulated from the burning of jet
10 fuel needs greater consideration to achieve the State's
11 commitment to reducing the State's contribution to global
12 greenhouse gas emissions.

13 The Intergovernmental Panel on Climate Change's 2018 report
14 concluded that Hawai'i has less than fifteen years to address
15 permanent climate change and sea level rise that is associated
16 with a high level of disruption to the islands of Hawai'i. The
17 establishment of a carbon tax on aviation fuel is a necessary



1 action in climate change mitigation and acquiring the funds to
2 address the future issues associated with climate change. The
3 establishment of a carbon tax on aviation fuel shall not be
4 construed to interfere with the air transportation industry but
5 rather as a means to help the industry serving Hawai'i meet the
6 mandate set for international commercial aviation by the
7 International Civil Aviation Organization. Under the Carbon and
8 Reduction Scheme for International Aviation, airlines are
9 mandated to reduce aviation greenhouse gas emissions to fifty
10 per cent below 2005 levels by 2050. The legislature further
11 finds that the establishment of a state carbon tax on aviation
12 fuel will allow for the development of sustainable aviation fuel
13 capability in Hawai'i. This development has the potential to
14 reduce the State's dependence on foreign sources of fuel,
15 promote economic development, reduce carbon emissions from the
16 two highest emitting sectors, improve the overall environmental
17 sustainability in Hawai'i, and demonstrate the State's continued
18 leadership in actions to reduce global greenhouse gas emissions.

19 The legislature notes that the reputation of Hawai'i's
20 airports is abysmal. Travelers regularly rank the State's
21 airports at the bottom. The J.D. Power 2022 North America



1 Airport Satisfaction Study reported that Honolulu's airport
2 ranked the second worst among large airports in its annual
3 survey of air passengers. The Kahului airport was also at the
4 bottom of the list in the midsize-airport category. The
5 department of transportation may also use revenue collected
6 under a carbon tax to upgrade and improve the State's airports.

7 The purpose of this Act is to establish a carbon tax on
8 aviation fuel to continue the State's leadership in global
9 greenhouse gas emission reduction actions. All tax revenue from
10 the carbon tax will be collected under chapter 243, Hawaii
11 Revised Statutes, as it pertains to jet fuel, to be set aside in
12 the airport revenue fund.

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

16 "§235- Tax credit to mitigate the effect of a carbon
17 emissions tax on lower income taxpayers. (a) There shall be
18 allowed to each qualified taxpayer subject to the tax imposed
19 under this chapter, an income tax credit that shall be
20 deductible from the taxpayer's net income tax liability, if any,



1 imposed by this chapter for the taxable year in which the credit
2 is properly claimed.

3 (b) The amount of the tax credit shall be determined as
4 follows:

5 (1) For taxpayers filing as single, the applicable tax
6 credit is determined by which bracket in the following
7 table a taxpayer's gross income falls within:

<u>Gross Income</u>	<u>Credit Amount</u>
<u>\$60,000 or less but</u>	
<u>more than \$50,000</u>	<u>\$50</u>
<u>\$50,000 or less but</u>	
<u>more than \$40,000</u>	<u>\$100</u>
<u>\$40,000 or less but</u>	
<u>more than \$30,000</u>	<u>\$150</u>
<u>\$30,000 or less but</u>	
<u>more than \$20,000</u>	<u>\$200</u>

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1 \$20,000 or less \$500.

2 (c) If the tax credit claimed by the taxpayer under this
3 section exceeds the amount of the income tax payments due from
4 the taxpayer, the excess of credit over payments due shall be
5 refunded to the taxpayer; provided that the tax credit properly
6 claimed by a taxpayer who has no income tax liability shall be
7 paid to the taxpayer; provided further that no refunds or
8 payments on account of the tax credit allowed by this section
9 shall be made for amounts less than \$1.

10 All claims for the tax credit under this section, including
11 amended claims, shall be filed on or before the end of the
12 twelfth month following the close of the taxable year for which
13 the credit may be claimed. Failure to comply with the foregoing
14 provision shall constitute a waiver of the right to claim the
15 credit.

16 (d) The director of taxation:

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

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



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

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

6 (f) As used in this section, "qualified taxpayer" means a
7 resident taxpayer who meets the following criteria:

8 (1) The taxpayer files an individual income tax return,
9 whether as a single taxpayer, a head of household, a
10 married individual filing a separate return, or a
11 married couple filing a joint return; and

12 (2) The taxpayer has a gross income within the ranges
13 listed in subsection (b)(1) or (2), as applicable."

14 SECTION 3. Chapter 243, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§243- Carbon emissions tax on aviation fuel. (a) In
18 addition to any other taxes provided by law, there is hereby
19 imposed a state carbon emissions tax of \$6.25 per ton of carbon
20 dioxide equivalent emissions on all aviation fuel sold by a
21 distributor to any retail dealer or end user of the fuel, other



1 than a refiner. The tax shall be paid by the distributor of the
2 fuel. The tax shall be \$0.0522 per gallon; provided that the
3 tax shall increase annually based on the United States Energy
4 Information Administration's determination of carbon dioxide
5 emissions per energy source. The department of taxation shall
6 post the annual rate by December 15 of the year prior.

7 (b) Each distributor subject to the tax imposed by this
8 section, on or before the last day of each calendar month, shall
9 file with the director, on forms prescribed, prepared, and
10 furnished by the director, a return statement of the tax under
11 this section for which the distributor is liable for the
12 preceding month. The form and payment of the tax shall be
13 transmitted to the department of taxation in the appropriate
14 district.

15 (c) The tax collected under this section shall be paid
16 over to the director of finance for deposit as provided in
17 section 248-8.

18 (d) Every distributor shall keep in the State and preserve
19 for five years a record in a form as the department of taxation
20 shall prescribe showing the total number of gallons of aviation
21 fuel sold by the distributor during any calendar month. The



1 record shall show any other data and figures relevant to the
2 enforcement and administration of this chapter as the department
3 of taxation may require."

4 SECTION 4. Section 261-5, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) Except for:

7 (1) All proceeds from the passenger facility charge and
8 deposited in the passenger facility charge special
9 fund; and

10 (2) All proceeds from the rental motor vehicle customer
11 facility charge and deposited in the rental motor
12 vehicle customer facility charge special fund,
13 all moneys received by the department from rents, fees, and
14 other charges collected pursuant to this chapter, as well as all
15 aviation fuel taxes paid pursuant to [~~section~~] sections 243-
16 4(a)(2) [~~7~~] and 243- shall be paid into the airport revenue
17 fund created by section 248-8.

18 All moneys paid into the airport revenue fund shall be
19 appropriated, applied, or expended by the department for any
20 purpose within the jurisdiction, powers, duties, and functions
21 of the department related to the statewide system of airports,



1 including, without limitation, the costs of operation,
2 maintenance, and repair of the statewide system of airports and
3 reserves therefor, and acquisitions (including real property and
4 interests therein), constructions, additions, expansions,
5 improvements, renewals, replacements, reconstruction,
6 engineering, investigation, and planning for the statewide
7 system of airports, all or any of which in the judgment of the
8 department are necessary to the performance of its duties or
9 functions. The department shall generate sufficient revenues
10 from its airport properties to meet all of the expenditures of
11 the statewide system of airports and to comply with section 39-
12 61; provided that as long as sufficient revenues are generated
13 to meet such expenditures, the director of transportation may,
14 in the director's discretion, grant a rebate of the aviation
15 fuel taxes paid into the airport revenue fund during a fiscal
16 year pursuant to sections 243-4(a)(2) and 248-8 to any person
17 who has paid airport use charges or landing fees during such
18 fiscal year. Such rebate may be granted during the next
19 succeeding fiscal year but shall not exceed one-half cent per
20 gallon per person, and shall be computed on the total number of



1 gallons for which the tax was paid by such person, for such
2 fiscal year."

3 SECTION 5. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 6. This Act shall take effect upon its approval;
6 provided that section 2 and section 3 of this Act shall apply to
7 taxable years beginning after December 31, 2022.

8

INTRODUCED BY:

Paul Abund



S.B. NO. 1008

Report Title:

Aviation Fuel Tax; Carbon Tax; Airport Revenue Fund; Tax Credit

Description:

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.

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