
A BILL FOR AN ACT

RELATING TO FUEL.

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

1 SECTION 1. The legislature finds that the ethanol industry
2 may provide the indispensable transitional fuel pending the
3 development of a hydrogen fuel economy. The State should follow
4 the example of Brazil, the first country to become independent
5 of oil and gasoline as a fuel for transportation, by taking
6 actions necessary for the ethanol market development to occur.
7 State action is necessary to create an interim level of demand
8 sufficient to jump start the ethanol industry. Such action
9 would fulfill existing mandates contained in article XI of the
10 state constitution relating to conserving and protecting
11 important agricultural lands, creating agricultural self-
12 sufficiency, and otherwise protecting and conserving our State's
13 land, water, and other natural resources.

14 The purpose of this Act is to create an in-state market and
15 demand for ethanol at a level that will provide an incentive for
16 landowners, agricultural enterprises, and others to invest in
17 the production of sugar cane and other fiber products for the
18 production of ethanol.



1 SECTION 2. Chapter 486J, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 "PART . ETHANOL

5 §486J-A Supply distribution contract. (a) The department
6 shall enter into a twenty-year contract with a refiner for the
7 distribution of fuel for the first five years of the contract
8 with an ethanol content equal to three times that required by
9 section 486J-10 and for the distribution of fuel for the
10 remainder of the contract with an ethanol content equal to five
11 times that required by section 486J-10. The fuel subject to the
12 contract shall be resold in the State at the following prices:

13 (1) To the State and its political subdivisions for
14 consumption by vehicles owned or operated by the State
15 and its political subdivisions at a cost of \$2.10 per
16 gallon; and

17 (2) To the public through its company-operated retail
18 service stations at a cost of \$2.20 per gallon.

19 (b) The prices set forth in subsection (a) shall be
20 further subject to:

21 (1) The zone adjustments set by the commission pursuant to
22 section 486H-13(g);



- 1 (2) Cost of living adjustments based on the consumer price
- 2 index published by the Bureau of Labor Statistics; and
- 3 (3) As otherwise agreed to by the State and the refiner.

4 **§486J-B Retail service stations; tax credit.** (a) The

5 refiner shall provide at each of its company-operated retail

6 service stations, at minimum, one fuel pump that shall dispense

7 the fuel distributed pursuant to this part at the price set

8 forth in section 486J-A.

9 (b) Upon the provision of any fuel pump dispenser

10 described in subsection (a), the refiner may claim a tax credit

11 pursuant to section 235- ."

12 SECTION 3. Chapter 235, Hawaii Revised Statutes, is

13 amended by adding a new section to be appropriately designated

14 and to read as follows:

15 **"§235- Ethanol fuel pump dispenser income tax credit.**

16 (a) Any law to the contrary notwithstanding, there shall be

17 allowed to each taxpayer subject to the taxes imposed by this

18 chapter an income tax credit that shall be deductible from the

19 taxpayer's net income tax liability, if any, imposed by this

20 chapter for the taxable year in which the credit is properly

21 claimed. The amount of the credit shall be equal to the total

22 qualified costs that the taxpayer incurred for the provision of



1 ethanol fuel dispensers, including fuel pumps, pump stations,
2 appurtenant tanks, pipes, and other equipment.

3 In the case of a partnership, S corporation, estate, or
4 trust, the tax credit allowable is for qualified production
5 costs incurred by the entity for the taxable year. The cost
6 upon which the tax credit is computed shall be determined at the
7 entity level. Distribution and share of credit shall be
8 determined by rule.

9 If a deduction is taken under section 179 (with respect to
10 election to expense depreciable business assets) of the Internal
11 Revenue Code of 1986, as amended, no tax credit shall be allowed
12 for those costs for which the deduction is taken.

13 The basis for eligible property for depreciation of
14 accelerated cost recovery system purposes for state income taxes
15 shall be reduced by the amount of credit allowable and claimed.

16 (b) The credit allowed under this section shall be claimed
17 against the net income tax liability for the taxable year. For
18 the purposes of this section, "net income tax liability" means
19 net income tax liability reduced by all other credits allowed
20 under this chapter.

21 (c) If the tax credit under this section exceeds the
22 taxpayer's income tax liability, the excess of credits over



1 liability shall be refunded to the taxpayer; provided that no
2 refunds or payment on account of the tax credits allowed by this
3 section shall be made for amounts less than \$1. All claims,
4 including any amended claims, for tax credits under this section
5 shall be filed on or before the end of the twelfth month
6 following the close of the taxable year for which the credit may
7 be claimed. Failure to comply with the foregoing provision
8 shall constitute a waiver of the right to claim the credit.

9 (d) To qualify for this tax credit, a taxpayer shall:

10 (1) Enter into a contract for the distribution of ethanol
11 pursuant to section 486J-A;

12 (2) Install the fuel pump dispensers required by section
13 486J-B; and

14 (3) No later than thirty days following the end of each
15 taxable year in which qualified costs were expended,
16 submit a written, sworn statement to the department of
17 business, economic development, and tourism,
18 identifying:

19 (A) All qualified costs incurred pursuant to
20 subsection (a), if any, incurred in the previous
21 taxable year;



1 (B) The amount of tax credits claimed pursuant to
2 this section, if any, in the previous taxable
3 year.

4 The department of business, economic development, and
5 tourism shall certify to the department of taxation on forms
6 prescribed by the director of taxation the correct qualified
7 costs that were incurred pursuant to subsection (a).

8 Notwithstanding the authority of the department of
9 business, economic development, and tourism under this section,
10 the director of taxation may audit and adjust the tax credit
11 amount to conform to the information filed by the taxpayer.

12 (e) The director of taxation shall prepare forms as may be
13 necessary to claim a credit under this section. The director
14 may also require the taxpayer to furnish information to
15 ascertain the validity of the claim for credit made under this
16 section and may adopt rules necessary to effectuate the purposes
17 of this section pursuant to chapter 91.

18 (f) Total tax credits claimed by a taxpayer pursuant to
19 this section shall not exceed \$ in any tax year."

20 SECTION 4. New statutory material is underscored.



1 SECTION 5. This Act shall take effect on July 1, 2007;
2 provided that section 3 shall apply to taxable years beginning
3 after December 31, 2006.

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INTRODUCED BY:

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Report Title:

Gasoline Dealers; Ethanol

Description:

Provides for department of business, economic development, and tourism to enter into contract with a fuel refiner to sell fuel with enhanced ethanol content; provides tax credit for provided ethanol fuel dispensers.

