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# A BILL FOR AN ACT

RELATING TO ALCOHOL FUELS.

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

1           SECTION 1. The purpose of this Act is to establish an  
2 income tax credit to offset the general excise tax imposed on  
3 the gross proceeds from the sale of alcohol fuels.

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 for general excise tax on alcohol  
8 fuels. (a) There shall be allowed to each taxpayer who is  
9 subject to the taxes imposed by this chapter, and who is not  
10 otherwise eligible to be claimed as a dependent for federal or  
11 state income taxes by another, a tax credit for the general  
12 excise tax paid by the taxpayer for purchases of alcohol fuels  
13 in the State.

14           (b) The amount of the tax credit shall be the lesser of:

15           (1) The amount of general excise taxes paid by a taxpayer  
16           for alcohol fuels during the taxable year; or

17           (2) \$ \_\_\_\_\_ .



1        (c) The tax credit allowed under this section shall be  
2 claimed against the net income tax liability, if any, imposed by  
3 this chapter for the taxable year in which the credit is  
4 properly claimed; provided that spouses filing separate returns  
5 for a taxable year for which a joint return could have been made  
6 by them shall claim only the tax credit to which they would have  
7 been entitled had a joint return been filed.

8        (d) If the tax credit under this section exceeds the  
9 taxpayer's income tax liability, the excess of credit over  
10 liability may be used as a credit against the taxpayer's income  
11 tax liability in subsequent years until exhausted.

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

18        (f) The director of taxation:

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



1       (2) Shall require taxpayers to furnish necessary  
2           information to ascertain the validity of the claim for  
3           the credit made under this section; and

4       (3) May adopt rules pursuant to chapter 91 to effectuate  
5           the purposes of this section.

6       (g) As used in this section, "alcohol fuels" means neat  
7       biomass-derived alcohol liquid fuel or a petroleum-derived fuel  
8       and alcohol liquid fuel mixture consisting of at least ten  
9       volume per cent denatured biomass-derived alcohol commercially  
10       usable as a fuel to power aircraft, seacraft, spacecraft,  
11       automobiles, or other motorized vehicles.

12       (h) This section shall be repealed on December 31, 2012."

13       SECTION 3. The departments of business, economic  
14       development, and tourism and taxation shall jointly conduct a  
15       study to determine the following:

16       (1) Whether sellers of alcohol fuels passed on to  
17           consumers the amount realized from the general excise  
18           tax exemption granted for the sale of alcohol fuels  
19           during 2006; and

20       (2) The amount of general excise tax revenue loss realized  
21           by the State due to the exemption of alcohol fuels  
22           during 2006.



# H.B. NO. 1111

1           The departments shall submit their findings and  
2 recommendations to the legislature no later than twenty days  
3 prior to the convening of the 2008 regular session.

4           SECTION 4. New statutory material is underscored.

5           SECTION 5. This Act shall take effect upon its approval  
6 and shall apply to taxable years beginning after December 31,  
7 2006.

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INTRODUCED BY:

Celeste M. Day  
Nannini Drouil

J. P. Karaman

JAN 22 2007





**Report Title:**

Income Tax Credit; Gasoline

**Description:**

Provides an income tax credit equal to the general excise tax assessed on gasoline.

