

H.B. NO. 1416

A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTION ON THE SALE OF
ALTERNATIVE FUEL.

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

1 SECTION 1. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§237- Exemption on sale of biofuels. (a) There shall
5 be exempted from and excluded from the measure of the taxes
6 imposed by this chapter all of the gross proceeds arising from
7 the sale of biofuels for consumption or use by the purchaser and
8 not for resale.

9 (b) As used in this section, "biofuels" means:

- 10 (1) Neat biomass-derived alcohol liquid fuel or a
11 petroleum-derived fuel and alcohol liquid fuel
12 mixture consisting of at least ten volume per
13 cent denatured biomass-derived alcohol; or
14 (2) A vegetable oil based fuel, which meets American
15 Society for Testing and Materials International
16 Standard D6751, "Specification for Biodiesel Fuel
17 Blend Stock (B100) for Distillate Fuels," as

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1 amended, or a mixture consisting of fuel meeting
2 American Society for Testing and Materials
3 International Standard D6751 with petroleum-
4 based diesel fuel, designated B5, where 5
5 represents the volume percentage of biodiesel
6 fuel in the blend; or
7 (3) Any other fuel produced from non-petroleum
8 sources, including natural vegetable oil, plant
9 or other natural resource byproduct, waste
10 cooking oils, fats, greases, or grease trap
11 waste, that can be used for the generation of
12 power;
13 that is commercially usable as a fuel to power aircraft,
14 seacraft, spacecraft, automobiles, trucks, or other motorized
15 vehicles."

16 SECTION 2. New statutory material is underscored.
17 SECTION 3. This Act shall take effect upon its approval.

18 INTRODUCED BY: Calvin K. Ray
19 BY REQUEST

JAN 22 2007

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JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX EXEMPTION ON THE SALE OF ALTERNATIVE FUEL.

PURPOSE: To reinstate an exemption from the general excise tax for the sale of alternative fuel.

MEANS: Add a new section to chapter 237, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Effective December 31, 2006, the general excise tax exemption allowed for the sale of alcohol fuels under section 237-27.1, HRS, was repealed. This legislation seeks to reinstate the exemption on alcohol fuel and to include biodiesel and other alternative fuels.

The general excise tax exemption on the sale of alternative fuel is a narrowed and directed focus to establishing a framework of integrated measures to enable Hawaii to attain a niche leadership role in the global renewable energy economy. By mandate of the use of alternative fuel blends and the encouragement of a tax exemption to spur such an industry, use of alternative fuels will curtail Hawaii's decades-long overdependence on imported oil.

Impact on the public: Reduction in price volatility of energy products and prices of goods made from imported oil when imported oil prices are increased for various reasons.

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Impact on the department and other agencies:
None. The Department of Taxation administered this tax program as of December 31, 2006.

GENERAL FUND: \$100,000 per year.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: TAX 100.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.