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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1       SECTION 1. The legislature finds that a healthy inter-  
2 island airline industry is vital to the State's economy.  
3 Hawaii's inter-island airlines continue to face severe financial  
4 challenges. Fuel costs in particular have skyrocketed and grown  
5 volatile in recent years. In fact, for most airlines, the cost  
6 of fuel has surpassed labor as the highest operating cost  
7 factor.

8       Sales of fuel sold from a foreign-trade zone for use by  
9 airlines traveling out of the State of Hawaii are exempt from  
10 general excise and use taxes. However, intrastate flights are  
11 not exempt. To the extent that the Hawaii general excise and  
12 use taxes apply to intrastate flights, these taxes only  
13 exacerbate the problem for Hawaii airlines.

14       The legislature finds that exempting common carriers from  
15 the general excise and use taxes for sales of fuel from a  
16 foreign trade zone for intrastate flights would level the  
17 playing field and create a fairer market for all airlines.



1 The purpose of this Act is to exempt common carriers from  
2 the general excise and use taxes for fuel for use in intrastate  
3 transportation.

4 SECTION 2. Section 212-8, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "**§212-8 Exemption from taxes.** (a) Notwithstanding any  
7 law to the contrary, sales of all products [~~which~~] that are  
8 categorized as privileged foreign merchandise, nonprivileged  
9 foreign merchandise, domestic merchandise, or zone-restricted  
10 merchandise, and [~~which~~] that are admitted into a foreign-trade  
11 zone, as more specifically set forth in the Act of Congress, and  
12 any rules and regulations promulgated thereunder, made directly  
13 to any common carrier in interstate or foreign commerce, or  
14 both, whether ocean-going or air, for consumption out-of-state  
15 by the crew or passengers on the shipper's vessels or airplanes,  
16 or for use out-of-state by the vessels or airplanes, shall be  
17 exempt from those taxes imposed under chapters 237, 238, 243,  
18 244D, and 245.

19 (b) Notwithstanding any law to the contrary, sales of fuel  
20 categorized as privileged foreign merchandise, non-privileged  
21 foreign merchandise, domestic merchandise, or zone-restricted  
22 merchandise, that is admitted into a foreign-trade zone, as more



1 specifically set forth by an Act of Congress and any rules and  
2 regulations thereunder, made directly to or used by any common  
3 carrier for consumption or use in air transportation, whether  
4 interstate, intrastate, or foreign, shall be exempt from not  
5 more than \$3,800,000 annually in taxes imposed under chapters  
6 237 and 238."

7 SECTION 3. Section 237-24.75, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "[+]§237-24.75[+] **Additional exemptions.** In addition to  
10 the amounts exempt under section 237-24, this chapter shall not  
11 apply to [~~amounts~~]:

12 (1) Amounts received as a beverage container deposit  
13 collected under chapter 342G, part VIII[-]; and

14 (2) Amounts received from the sale of fuel and exempted by  
15 section 212-8(b)."

16 SECTION 4. Section 238-3, Hawaii Revised Statutes, is  
17 amended by amending subsection (g) to read as follows:

18 "(g) The tax imposed by this chapter shall not apply to  
19 [~~any~~]:

20 (1) Any intoxicating liquor as defined in chapter 244D and  
21 cigarettes and tobacco products as defined in chapter  
22 245, imported into the State and sold to any person or



1 common carrier in interstate commerce, whether ocean-  
2 going or air, for consumption out-of-state by the  
3 person, crew, or passengers on the shipper's vessels  
4 or airplanes[-]; and

5 (2) Sales of fuel exempted under section 212-8(b)."

6 SECTION 5. The department of taxation shall report to the  
7 legislature not later than twenty days prior to the convening of  
8 the regular session of 2008, regarding the revenue loss in the  
9 first year during which this Act is in effect.

10 SECTION 6. This Act shall not be construed to imply that  
11 any law in effect prior to the effective date of this Act is  
12 inconsistent with this Act.

13 SECTION 7. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15 SECTION 8. This Act shall take effect on July 1, 2020, and  
16 shall be repealed on December 31, 2009.



**Report Title:**

Taxes; Intrastate Aviation; Exemption

**Description:**

Exempts from general excise and use taxes the fuel sold for intrastate air transportation by common carriers. (SB1034 HD1)

