

JAN 19 2007

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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 sold from a foreign  
3 trade zone to common carriers for use in intrastate  
4 transportation.

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

7           "**§212-8 Exemption from taxes.** (a) Notwithstanding any  
8 law to the contrary, sales of all products [~~which~~] that are  
9 categorized as privileged foreign merchandise, nonprivileged  
10 foreign merchandise, domestic merchandise, or zone-restricted  
11 merchandise, and [~~which~~] that are admitted into a foreign-trade  
12 zone, as more specifically set forth in the Act of Congress, and  
13 any rules and regulations promulgated thereunder, made directly  
14 to any common carrier in interstate or foreign commerce, or  
15 both, whether ocean-going or air, for consumption out-of-state  
16 by the crew or passengers on the shipper's vessels or airplanes,  
17 or for use out-of-state by the vessels or airplanes, shall be  
18 exempt from those taxes imposed under chapters 237, 238, 243,  
19 244D, and 245.

20           (b) Notwithstanding any law to the contrary, sales of fuel  
21 categorized as privileged foreign merchandise, non-privileged  
22 foreign merchandise, domestic merchandise, or zone-restricted



1 merchandise, that is admitted into a foreign-trade zone, as more  
2 specifically set forth by an Act of Congress and any rules and  
3 regulations thereunder, made directly to or used by any common  
4 carrier for consumption or use in air transportation, whether  
5 interstate, intrastate, or foreign, shall be exempt from taxes  
6 imposed under chapters 237 and 238."

7 SECTION 3. This Act shall not be construed to imply that  
8 any law prior to the effective date of this Act is inconsistent  
9 with this Act.

10 SECTION 4. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect on July 1, 2007.

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INTRODUCED BY: J. Kim Gosh  
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**Report Title:**

Taxes; Intrastate Aviation; Exemption

**Description:**

Exempts from general excise and use taxes the fuel sold from a foreign-trade zone for intrastate air transportation by common carriers.

