# SAN 22 2007 B. NO. 1502

### 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	" <u>§237-</u>	Exemption on sale of biofuels. (a) There shall
5	be exempted fr	om 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 u	sed 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

## S.B. NO. 1502

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 commer	cially usable as a fuel to power aircraft,
14	seacraft, spac	ecraft, 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:
19		BY REQUEST

#### 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31, 2006, the general excise tax exemption allowed for the sale of alcohol fuels under section 237-27.1, HRS, was repealed.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.

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.