STAND. COM. REP. NO. 1258

Honolulu, Hawaii

Marh 16, 2007

RE: S.B. No. 1034

S.D. 2

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2007 State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns, to which was referred S.B. No. 1034, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to keep Hawaii's inter-island airline industry healthy and competitive by exempting the fuel sold to common carriers for intrastate air transportation from the general excise and use taxes.

The Department of Business, Economic Development, and Tourism (DBEDT), Department of Taxation, Hawaiian Airlines, Aloha Airlines, Chamber of Commerce of Hawaii, March of Dimes, Aloha Airlines Pilots' Union, International Association of Machinists and Aerospace Workers District 141, and Transport Workers Union submitted testimony supporting this bill. The Hawaii Fueling Facilities Corporation and Tax Foundation of Hawaii commented.

Your Committee finds that this bill raises a number of unresolved issues, the primary being whether federal law preempts Hawaii's imposition of the general excise and use taxes on fuel sold from a foreign-trade zone for use by airlines traveling between the islands. Another, is the large disparity in estimates as to the revenue loss under this bill.

Your Committee notes that DBEDT will be requesting an opinion by the Attorney General on the first issue. Additional information on aviation fuel sales has been provided in testimony that hopefully will allow cost estimates to be firmed up, and give the Committee on Finance a clearer view of the budgetary impact of this measure.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1034, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Transportation.

Respectfully submitted on behalf of the members of the Committee on Economic Development & Business Concerns,

JERRY L. CHANG, Acting Chair



## State of Hawaii House of Representatives The Twenty-fourth Legislature

## **Record of Votes of the Committee on Economic Development & Business Concerns**

Bill/Resolution No.:	Date:		***************************************		
SB 1034 SD2 (SSCR679)		March 15, 2007			
Committee Referral:	☐ The committee is reconsidering its				
EDB, TRN, FIN	previous decision on the measure.				
The recommendation is to: Pass, unamended	☐ Pass, with amendments				
☐ Hold	<ul> <li>Pass, with amendments, for recommittal for further consideration</li> </ul>				
EDB Members	Ayes	Ayes (WR)	Nays	Excused	
1. YAMASHITA, Kyle T. (C)					
2. WAKAI, Glenn (VC)					
3. BERG, Lyla B., Ph.D					
4. BROWER, Tom					
5. CHANG, Jerry L.	V_				
6. HANOHANO, Faye P.	V	S no system is a second			
7. HERKES, Robert N	nji ka ta				
8. MANAHAN, Joey -					
9. TSUJI, Clift					
10. YAMANE, Ryan I.			anti-control of the state of th		
11. CHING, Corinne W.L					
12. MARUMOTO, Barbara C.			man kanan persaman ang manan kanan kan		
	Water Control of the				
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TOTAL	8	Ø	Ø	4	
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The recommendation is:					
☐ Not Adopted					
If joint referral, did not support recommendation.					
committee acronym(s)					
$\sim$					
Vice Chair's or designee's signature:					
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office					