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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 assessing a tax on  
2 producers and importers of fossil fuels has been successful in  
3 countries around the world in reducing the consumption of fossil  
4 fuels. The effect of the tax, which is commonly known as a  
5 carbon price or carbon tax, has been to reduce the emission of  
6 greenhouse gases, leading to a more sustainable environment and  
7 reducing local air pollution.

8           Dozens of eminent economists have endorsed a policy that  
9 taxes carbon and returns revenues, commonly known as dividends,  
10 to households. The University of Hawai'i Economic Research  
11 Organization (UHERO) conducted a study on a carbon tax that was  
12 released in April 2021 entitled, "Carbon Pricing Assessment for  
13 Hawai'i: Economic and Greenhouse Gas Impacts". The study  
14 explored how a carbon tax and dividend policy would affect  
15 Hawai'i and found that it would substantially reduce the  
16 consumption of fossil fuels while financially benefiting most



1 Hawai'i households. Low-income households would experience the  
2 greatest financial benefit.

3 As of 2022, a total of 3,623 economists had signed a  
4 statement on carbon dividends endorsing a carbon tax, including  
5 twenty-eight Nobel Laureate economists, four former Chairs of  
6 the Federal Reserve, and fifteen former Chairs of the Council of  
7 Economic Advisors. The statement reads, in part: "A carbon tax  
8 offers the most cost-effective lever to reduce carbon emissions  
9 at the scale and speed that is necessary." The statement goes  
10 on to say that the carbon tax should be increased until emission  
11 reduction goals are met. It continues by stating: "To maximize  
12 the fairness and political viability of a rising carbon tax, all  
13 the revenue should be returned directly to U.S. citizens through  
14 equal lump-sum rebates. The majority of American families,  
15 including the most vulnerable, will benefit financially by  
16 receiving more in 'carbon dividends' than they pay in increased  
17 energy prices."

18 The legislature additionally finds that more than forty  
19 countries have adopted a carbon tax or other carbon pricing  
20 policy, and even more are considering it. The World Bank  
21 asserts that "carbon pricing is the most effective way to reduce



1 emissions, and all jurisdictions must go further and faster in  
2 using carbon pricing policies as part of their climate policy  
3 packages." The level of pricing is key, and according to the  
4 World Bank, fossil fuels must be priced between \$50 and \$100 per  
5 ton of carbon dioxide emissions in the next few years to put the  
6 world on the path to achieving the goals of the Paris Agreement.  
7 The Group of 20 (G20), which includes the United States, the  
8 European Union, China, India, and Russia, representing ninety  
9 per cent of the world's economy, encourages the appropriate use  
10 of carbon pricing when used among a wide set of tools to control  
11 climate change.

12 Carbon pricing bills have been introduced in the State for  
13 the past several sessions. Basic economics explains how carbon  
14 pricing would reduce the consumption of fossil fuels. Though  
15 some have questioned the financial impacts of carbon pricing on  
16 Hawai'i's families, particularly on those in the lowest income  
17 bracket, this concern was addressed in the UHERO study.

18 Additionally, the UHERO study examined two levels of carbon  
19 taxes, a low tax scenario and a high tax scenario. The study  
20 also examined two uses of the tax revenue: one with all of the  
21 tax revenue used to finance government programs, and the other



1 with most of the tax revenue distributed to Hawai'i's households.  
2 The study concluded that the consumption of fossil fuels would  
3 be substantially reduced in both tax scenarios. The study also  
4 concluded that distributing most of the tax revenue to Hawai'i's  
5 households in the low tax scenario would create a net financial  
6 benefit to most of Hawai'i's households, with the largest net  
7 financial benefit to low-income households.

8 Further, the study found that the dividend makes the carbon  
9 tax and dividend model progressive rather than regressive. This  
10 model addresses the concerns of those who had questioned the  
11 effect of a carbon tax on low-income families. Under this  
12 model, in the low tax scenario, low-income households would  
13 benefit financially, on average, because their dividend would be  
14 larger than their increased spending resulting from the carbon  
15 tax. This Act incorporates many of the elements of the low tax  
16 scenario of the UHERO study and distributes most of the tax  
17 revenue to Hawai'i's households in the form of refundable tax  
18 credits. The level of taxation is within the range that the  
19 World Bank has determined would achieve the goals of the Paris  
20 Agreement.



1           This Act establishes carbon tax rates that are derived from  
2 the low tax scenario of the UHERO study. The study based its  
3 assessment on dollars for the year 2012 and a carbon tax  
4 starting in year 2025. This Act starts the tax in 2024, earlier  
5 than the UHERO date, with a modified tax rate and by 2026 this  
6 Act's tax rates will be equivalent to those in the study. To  
7 ease implementation, this Act uses the same units of measure as  
8 the existing Environmental Response, Energy, and Food Security  
9 Tax, commonly known as the barrel tax, specifically: dollars  
10 per barrel for crude oil and refined petroleum products and  
11 dollars per million British thermal units (Btus) for coal and  
12 natural gas.

13           To convert from dollars per metric ton of carbon dioxide  
14 equivalent (CO<sub>2</sub>e) to dollars per unit of fuel, this Act uses the  
15 U.S. Environmental Protection Agency's Emission Factors for  
16 Greenhouse Gas Inventories (modified April 1, 2021). For  
17 petroleum and refined petroleum products, this Act utilizes the  
18 metric tons of emissions for carbon dioxide, methane, and  
19 nitrous oxide per gallon of fuel. For coal and natural gas,  
20 this Act utilizes the metric tons of emissions for carbon  
21 dioxide, methane, and nitrous oxide per MMBtu of fuel. The



1 emissions of carbon dioxide, methane, and nitrous oxide can be  
2 combined into emissions of carbon dioxide equivalent (CO<sub>2</sub>e) by  
3 multiplying the amount of carbon dioxide, methane, and nitrous  
4 oxide by their 100-year global warming potential (GWP). The  
5 GWPs for carbon dioxide, methane, and nitrous oxide are one,  
6 twenty-five, and two hundred ninety-eight, respectively. Then  
7 to arrive at the tax rate, the CO<sub>2</sub>e emissions factor is  
8 multiplied by the carbon tax. The emissions factors for  
9 gasoline, for example, for carbon dioxide, methane, and nitrous  
10 oxide are 8.78 kg CO<sub>2</sub>/gallon, 0.38 g CH<sub>4</sub>/gallon, and 0.08 g  
11 N<sub>2</sub>O/gallon, respectively so its CO<sub>2</sub>e emissions rate is:  
12  $(8.78/1000 + 0.38*25/1000 + 0.08*298/1000) = 8.81$  kg  
13 CO<sub>2</sub>e/gallon. There are forty-two gallons in each barrel of  
14 crude oil (bbl). Multiplying by forty-two gallons/bbl and  
15 dividing by 1000 to convert from kilograms to metric tons (MT)  
16 yields a rate of 0.37 MT CO<sub>2</sub>e/bbl.

17 The legislature also finds that this same methodology can  
18 be used to derive the CO<sub>2</sub>e emissions rate for all fossil fuels.  
19 These emission rates can then be used to convert carbon tax  
20 rates to tax rates in more familiar units. Again, using  
21 gasoline as an example, the per barrel tax rate for a \$59/MT of



1 CO2 tax rate is computed as follows (converting from dollars  
2 based in year 2012 to dollars based in year 2024): \$59/MT of  
3 CO2e \* 0.37 MT of CO2e/bbl = \$18.51/bbl. Therefore, this Act  
4 adds to the existing barrel tax so the final barrel tax on non-  
5 aviation petroleum based fuels includes an additional \$1.05/bbl,  
6 and for gas and coal an additional \$0.19/MMBtu is included. So  
7 the final per barrel tax corresponding to a \$50/MT of CO2 is:  
8  $\$18.51 + 1.05 = \$19.56/\text{bbl}$ .

9 In Hawai'i, a carbon tax would very likely have the effect  
10 of raising the selling prices of fossil fuels. Such an increase  
11 would move fossil fuel prices closer to their true unsubsidized  
12 prices. The fossil fuel industry receives subsidies from the  
13 federal government that include both direct subsidies to  
14 corporations, as well as indirect subsidies to the fossil fuel  
15 industry. Fossil fuel prices do not include the social cost of  
16 degradation of the environment that results from the burning of  
17 fossil fuels and the resulting damage to human health and  
18 welfare. A recent report by the International Monetary Fund  
19 estimates total U.S. fossil fuel subsidies and social costs to  
20 be \$649 billion a year.



1           This Act distributes an amount equivalent to most of the  
2 tax revenue to individuals who file Hawai'i income tax in the  
3 form of refundable tax credits. The refundable tax credit is  
4 the same amount for each category of taxpayer. For example, all  
5 taxpayers filing as single or married filing separately are  
6 eligible for the same amount. This methodology is consistent  
7 with the UHERO study in distributing most of the tax revenue to  
8 Hawai'i's households.

9           Interest in a carbon tax is growing in the United States at  
10 all levels of government because it is effective and because it  
11 can be used with other efforts to control carbon emissions.  
12 Recently, for example, United States Secretary of the Treasury  
13 Janet Yellen signed a commitment to the Group of 7 (G7) to meet  
14 net zero goals and environmental objectives by making "the  
15 optimal use of the range of policy levers to price carbon."  
16 Secretary Yellen emphasized its positive effect on jobs, growth,  
17 competitiveness and fairness.

18           Accordingly, the purpose of this Act is to establish the  
19 carbon cashback program, which sets a carbon tax on fossil fuels  
20 and returns an equivalent amount of the money generated by the



1 carbon tax, less administrative costs, to Hawai'i residents in  
2 the form of a refundable tax credit or cash payment.

3 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6 "§235- Tax credit; carbon emissions tax. (a) There  
7 shall be allowed to each qualified taxpayer subject to the tax  
8 imposed under this chapter, a refundable income tax credit that  
9 shall be deductible from the taxpayer's net income tax  
10 liability, if any, imposed by this chapter for the taxable year  
11 in which the credit is properly claimed.

12 (b) The amount of the tax credit shall be equal to the sum  
13 of the following:

- 14 (1) \$65 for 2024
- 15 \$210 for 2025
- 16 \$360 for 2026
- 17 \$380 for 2027
- 18 \$420 for 2028
- 19 \$440 for 2029
- 20 \$440 for 2030
- 21 \$440 for 2031



1           \$440 for 2032  
2           \$450 for 2033  
3           \$460 for 2034  
4           \$470 for 2035  
5           \$480 for 2036 and every year thereafter  
6           for taxpayers filing as single or married filing  
7           separately;  
8           (2) \$65 for 2024  
9           \$210 for 2025  
10          \$360 for 2026  
11          \$380 for 2027  
12          \$420 for 2028  
13          \$440 for 2029  
14          \$440 for 2030  
15          \$440 for 2031  
16          \$440 for 2032  
17          \$450 for 2033  
18          \$460 for 2034  
19          \$470 for 2035  
20          \$480 for 2036 and every year thereafter  
21          for taxpayers filing as a head of household; or



1           (3)   \$130 for 2024  
2                   \$420 for 2025  
3                   \$720 for 2026  
4                   \$760 for 2027  
5                   \$850 for 2028  
6                   \$880 for 2029  
7                   \$880 for 2030  
8                   \$880 for 2031  
9                   \$880 for 2032  
10                  \$900 for 2033  
11                  \$920 for 2034  
12                  \$940 for 2035  
13                  \$960 for 2036 and every year thereafter  
14                  for taxpayers filing a joint return or as a surviving  
15                  spouse; and  
16           (4)   \$30   for 2024  
17                   \$100 for 2025  
18                   \$180 for 2026  
19                   \$190 for 2027  
20                   \$201 for 2028  
21                   \$220 for 2029



1           \$220 for 2030  
2           \$220 for 2031  
3           \$220 for 2032  
4           \$220 for 2033  
5           \$230 for 2034  
6           \$230 for 2035  
7           \$240 for 2036 and every year thereafter  
8           per qualifying dependent who is a minor.

9           (c) If the tax credit claimed by the taxpayer under this  
10 section exceeds the amount of the income tax payments due from  
11 the taxpayer, the excess of credit over payments due shall be  
12 refunded to the taxpayer; provided that the tax credit properly  
13 claimed by a taxpayer who has no income tax liability shall be  
14 paid to the taxpayer; provided further that no refunds or  
15 payments on account of the tax credit allowed by this section  
16 shall be made for amounts less than \$1.

17           All claims for the tax credit under this section, including  
18 amended claims, shall be filed on or before the end of the  
19 twelfth month following the close of the taxable year for which  
20 the credit may be claimed. Failure to comply with the foregoing



1 provision shall constitute a waiver of the right to claim the  
2 credit.

3 (d) The director of taxation:

4 (1) Shall prepare any forms that may be necessary to claim  
5 a tax credit under this section;

6 (2) May require the taxpayer to furnish reasonable  
7 information to ascertain the validity of the claim for  
8 the tax credit made under this section; and

9 (3) May adopt rules under chapter 91 as may be necessary  
10 to effectuate the purposes of this section.

11 (e) All of the provisions relating to assessments and  
12 refunds under this chapter and under section 231-23(c)(1) shall  
13 apply to the tax credit under this section.

14 (f) As used in this section:

15 "Qualified taxpayer" means a resident taxpayer who files an  
16 individual income tax return, whether as a single taxpayer, a  
17 head of household, a married individual filing a separate  
18 return, a married couple filing a joint return, or a surviving  
19 spouse.

20 "Qualifying dependent" means a minor who:

21 (1) Resides with the qualified taxpayer; and



1        (2) Is claimed as a dependent by the qualified taxpayer."

2            SECTION 3. Section 128D-2, Hawaii Revised Statutes, is  
3 amended by amending subsection (a) to read as follows:

4            "(a) There is created within the state treasury an  
5 environmental response revolving fund, which shall consist of  
6 moneys appropriated to the fund by the legislature, moneys paid  
7 to the fund as a result of departmental compliance proceedings,  
8 moneys paid to the fund pursuant to court-ordered awards or  
9 judgments, moneys paid to the fund in court-approved or out-of-  
10 court settlements, all interest attributable to investment of  
11 money deposited in the fund, moneys deposited in the fund from  
12 the environmental response, energy, carbon emissions, and food  
13 security tax pursuant to section 243-3.5, and moneys allotted to  
14 the fund from other sources."

15            SECTION 4. Section 201-12.8, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17            "(a) There is created within the state treasury an energy  
18 security special fund, which shall consist of:

19            (1) The portion of the environmental response, energy,  
20                carbon emissions, and food security tax specified  
21                under section 243-3.5;



- 1 (2) Moneys appropriated to the fund by the legislature;
- 2 (3) All interest attributable to investment of money
- 3 deposited in the fund; and
- 4 (4) Moneys allotted to the fund from other sources,
- 5 including under section 196-6.5."

6 SECTION 5. Section 243-3.5, Hawaii Revised Statutes, is  
 7 amended to read as follows:

8 "§243-3.5 Environmental response, energy, carbon  
 9 emissions, and food security tax; uses. (a) In addition to any  
 10 other taxes provided by law, subject to the exemptions set forth  
 11 in section 243-7, there is hereby imposed a state environmental  
 12 response, energy, carbon emissions, and food security tax on  
 13 each barrel or fractional part of a barrel of petroleum product  
 14 sold by a distributor to any retail dealer or end user of  
 15 petroleum product, other than a refiner. The tax [~~shall be~~  
 16 ~~\$1.05~~] on each barrel or fractional part of a barrel of  
 17 petroleum product [~~that is not aviation fuel; provided that of~~  
 18 ~~the tax collected pursuant to this subsection.~~] shall be in the  
 19 amounts provided in the following table:

20 <u>Product</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
21 <u>Butane</u>	<u>\$4.26</u>	<u>\$10.86</u>	<u>\$17.73</u>	<u>\$18.40</u>



1	<u>Propane</u>	<u>\$3.80</u>	<u>\$ 9.46</u>	<u>\$15.35</u>	<u>\$15.93</u>
2	<u>Gasoline</u>	<u>\$5.27</u>	<u>\$13.96</u>	<u>\$23.00</u>	<u>\$23.89</u>
3	<u>Diesel</u>	<u>\$5.95</u>	<u>\$16.06</u>	<u>\$26.57</u>	<u>\$27.60</u>
4	<u>Kerosene</u>	<u>\$5.93</u>	<u>\$15.97</u>	<u>\$26.42</u>	<u>\$27.44</u>
5	<u>Aviation gas</u>	<u>\$3.99</u>	<u>\$12.22</u>	<u>\$20.77</u>	<u>\$21.61</u>
6	<u>Jet Fuel</u>	<u>\$4.68</u>	<u>\$14.33</u>	<u>\$24.37</u>	<u>\$25.35</u>
7	<u>No. 6 Fuel Oil</u>	<u>\$6.46</u>	<u>\$17.62</u>	<u>\$29.22</u>	<u>\$30.35</u>
8	<u>LPG</u>	<u>\$3.78</u>	<u>\$ 9.41</u>	<u>\$15.26</u>	<u>\$15.83</u>
9	<u>Other</u>	<u>\$5.99</u>	<u>\$16.18</u>	<u>\$26.76</u>	<u>\$27.80</u>
10					
11	<u>Product</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
12	<u>Butane</u>	<u>\$19.09</u>	<u>\$19.81</u>	<u>\$20.55</u>	<u>\$21.30</u>
13	<u>Propane</u>	<u>\$16.52</u>	<u>\$17.14</u>	<u>\$17.77</u>	<u>\$18.42</u>
14	<u>Gasoline</u>	<u>\$24.80</u>	<u>\$25.74</u>	<u>\$26.71</u>	<u>\$27.71</u>
15	<u>Diesel</u>	<u>\$28.66</u>	<u>\$29.75</u>	<u>\$30.88</u>	<u>\$32.04</u>
16	<u>Kerosene</u>	<u>\$28.50</u>	<u>\$29.58</u>	<u>\$30.70</u>	<u>\$31.86</u>
17	<u>Aviation gas</u>	<u>\$22.48</u>	<u>\$23.37</u>	<u>\$24.28</u>	<u>\$25.23</u>
18	<u>Jet Fuel</u>	<u>\$26.37</u>	<u>\$27.41</u>	<u>\$28.49</u>	<u>\$29.60</u>
19	<u>No. 6 Fuel Oil</u>	<u>\$31.53</u>	<u>\$32.73</u>	<u>\$33.98</u>	<u>\$35.26</u>
20	<u>LPG</u>	<u>\$16.42</u>	<u>\$17.03</u>	<u>\$17.66</u>	<u>\$18.31</u>
21	<u>Other</u>	<u>\$28.87</u>	<u>\$29.98</u>	<u>\$31.11</u>	<u>\$32.28</u>



1

2	<u>Product</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
3	<u>Butane</u>	<u>\$22.08</u>	<u>\$22.89</u>	<u>\$23.72</u>	<u>\$24.57</u>
4	<u>Propane</u>	<u>\$19.09</u>	<u>\$19.78</u>	<u>\$20.49</u>	<u>\$21.22</u>
5	<u>Gasoline</u>	<u>\$28.74</u>	<u>\$29.80</u>	<u>\$30.88</u>	<u>\$32.01</u>
6	<u>Diesel</u>	<u>\$33.23</u>	<u>\$34.46</u>	<u>\$35.73</u>	<u>\$37.03</u>
7	<u>Kerosene</u>	<u>\$33.04</u>	<u>\$34.27</u>	<u>\$35.53</u>	<u>\$36.82</u>
8	<u>Aviation gas</u>	<u>\$26.20</u>	<u>\$27.20</u>	<u>\$28.23</u>	<u>\$29.29</u>
9	<u>Jet Fuel</u>	<u>\$30.74</u>	<u>\$31.91</u>	<u>\$33.12</u>	<u>\$34.37</u>
10	<u>No. 6 Fuel Oil</u>	<u>\$36.57</u>	<u>\$37.93</u>	<u>\$39.33</u>	<u>\$40.77</u>
11	<u>LPG</u>	<u>\$18.97</u>	<u>\$19.66</u>	<u>\$20.36</u>	<u>\$21.09</u>
12	<u>Other</u>	<u>\$33.48</u>	<u>\$34.72</u>	<u>\$36.00</u>	<u>\$37.31</u>

13

14	<u>Product</u>	<u>2036 and each year thereafter</u>
15	<u>Butane</u>	<u>\$25.44</u>
16	<u>Propane</u>	<u>\$21.97</u>
17	<u>Gasoline</u>	<u>\$33.16</u>
18	<u>Diesel</u>	<u>\$38.37</u>
19	<u>Kerosene</u>	<u>\$38.15</u>
20	<u>Aviation gas</u>	<u>\$30.39</u>
21	<u>Jet Fuel</u>	<u>\$35.65</u>



1	<u>No. 6 Fuel Oil</u>	<u>\$42.25</u>
2	<u>LPG</u>	<u>\$21.84</u>
3	<u>Other</u>	<u>\$38.66</u>

4       The tax for each year referenced above shall take effect on  
5 January 1 of that year and shall continue until the effective  
6 date of the next increment.

7       The tax imposed by this subsection shall be paid by the  
8 distributor of the petroleum product.

9       (b) Tax revenues collected pursuant to subsection (a)  
10 shall be distributed in the following priority each fiscal year,  
11 with the excess revenues to be deposited into the general fund:

12       (1) ~~[5 cents of the tax on each barrel]~~ \$1,116,000 shall  
13       be deposited into the environmental response revolving  
14       fund established under section 128D-2;

15       (2) ~~[4 cents of the tax on each barrel]~~ \$892,800 shall be  
16       deposited into the energy security special fund  
17       established under section 201-12.8;

18       (3) ~~[5 cents of the tax on each barrel]~~ \$1,116,000 shall  
19       be deposited into the energy systems development  
20       special fund established under section 304A-2169.1;



- 1           (4) ~~[3 cents of the tax on each barrel]~~ \$669,600 shall be  
2           deposited into the electric vehicle charging system  
3           subaccount established pursuant to section 269-33(e);  
4           [and]
- 5           (5) ~~[3 cents of the tax on each barrel]~~ \$669,600 shall be  
6           deposited into the hydrogen fueling system subaccount  
7           established pursuant to section 269-33(f) ~~[-]~~ i;
- 8           (6) All taxes paid on gasoline or other aviation fuel sold  
9           for use in or used for airplanes shall be deposited in  
10           the airport revenue fund established under section  
11           248-8; and
- 12           (7) All taxes paid on gasoline, diesel, or other fuel sold  
13           for use in or used for small boats shall be deposited  
14           in the boating special fund established under section  
15           248-8.

16           ~~[The tax imposed by this subsection shall be paid by the~~  
17           ~~distributor of the petroleum product.]~~

18           ~~[-b-]~~ (c) In addition to subsection (a), the environmental  
19           response, energy, carbon emissions, and food security tax shall  
20           also be imposed on each one million British thermal units of  
21           fossil fuel sold by a distributor to any retail dealer or end



1 user, other than a refiner, of fossil fuel. The tax [~~shall be~~  
 2 ~~19 cents~~] on each one million British thermal units of fossil  
 3 fuel [~~, provided that of the tax collected pursuant to this~~  
 4 ~~subsection:] is set forth in the following table:~~

5	<u>Fuel</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
6	<u>Coal (all</u>				
7	<u>forms)</u>	<u>\$1.29</u>	<u>\$3.55</u>	<u>\$5.90</u>	<u>\$6.13</u>
8	<u>Natural gas</u>				
9	<u>(including</u>				
10	<u>liquefied</u>				
11	<u>natural gas)</u>	<u>\$0.80</u>	<u>\$2.04</u>	<u>\$3.34</u>	<u>\$3.47</u>
12					
13	<u>Fuel</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
14	<u>Coal (all</u>				
15	<u>forms)</u>	<u>\$6.37</u>	<u>\$6.61</u>	<u>\$6.87</u>	<u>\$7.13</u>
16	<u>Natural gas</u>				
17	<u>(including</u>				
18	<u>liquefied</u>				
19	<u>natural gas)</u>	<u>\$3.60</u>	<u>\$3.73</u>	<u>\$3.87</u>	<u>\$4.02</u>
20					
21	<u>Fuel</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>



1        Coal (all  
 2        forms)                \$7.39        \$7.67        \$7.95        \$8.24

3        Natural gas  
 4        (including  
 5        liquefied  
 6        natural gas)        \$4.16        \$4.31        \$4.47        \$4.63

7  
 8        Fuel                    2036 and each year thereafter

9        Coal (all  
 10       forms)                    \$8.54

11       Natural gas  
 12       (including  
 13       liquefied  
 14       natural gas)            \$4.80

15       The tax for each year referenced above shall take effect on  
 16       January 1 of that year and shall continue until the effective  
 17       date of the next increment.

18       The tax imposed by this subsection shall be paid by the  
 19       distributor of the fossil fuel.



1        (d) Tax revenues collected pursuant to subsection (c)  
2 shall be distributed in the following priority each fiscal year,  
3 with the excess revenues to be deposited into the general fund:

4        (1) [~~4.8 per cent of the tax on each one million British~~  
5        ~~thermal units~~] \$49,000 shall be deposited into the  
6        environmental response revolving fund established  
7        under section 128D-2;

8        (2) [~~14.3 per cent of the tax on each one million British~~  
9        ~~thermal units~~] \$147,000 shall be deposited into the  
10       energy security special fund established under section  
11       201-12.8; and

12       (3) [~~9.5 per cent of the tax on each one million British~~  
13       ~~thermal units~~] \$98,000 shall be deposited into the  
14       energy systems development special fund established  
15       under section 304A-2169.1.

16       [~~The tax imposed by this subsection shall be paid by the~~  
17       ~~distributor of the fossil fuel.~~]

18       [~~(e)~~] (e) The tax imposed under subsection [~~(b)~~] (c) shall  
19       not apply to coal used to fulfill [~~a signed~~] an existing power  
20       purchase agreement between an independent power producer and an  
21       electric utility that is in effect as of June 30, 2015[-];



1 provided that this exemption from taxation shall not apply to  
2 any extension of an existing power purchase agreement or to any  
3 subsequent power purchase agreement. An independent power  
4 producer shall be permitted to pass the tax imposed under  
5 subsection ~~[(b)]~~ (c) on to an electric utility. In ~~[which~~  
6 ~~ease,~~] any case in which the tax is passed on, the electric  
7 utility may recover the cost of the tax through an appropriate  
8 surcharge to the end user that is approved by the public  
9 utilities commission.

10 ~~[(d)]~~ (f) A gas utility shall be allowed to recover the  
11 cost of the tax imposed under subsection ~~[(b)]~~ (c) as part of  
12 its fuel cost in its fuel adjustment charge without further  
13 approval by the public utilities commission.

14 ~~[(e)]~~ (g) Each distributor subject to the tax imposed by  
15 subsection (a) or ~~[(b)]~~ (c), on or before the last day of each  
16 calendar month, shall file, in the form and manner prescribed by  
17 the department, a return statement of the tax under this section  
18 for which the distributor is liable for the preceding month.  
19 The form and payment of the tax shall be transmitted to the  
20 department in the form and manner prescribed by the department.



1           ~~[(f)]~~ (h) Notwithstanding section 248-8 to the contrary,  
2 the environmental response, energy, carbon emissions, and food  
3 security tax collected under this section shall be paid over to  
4 the director of finance for deposit as provided in subsection  
5 ~~[(a) or (b)],~~ (b) or (d), as the case may be.

6           ~~[(g)]~~ (i) Every distributor shall keep in the State and  
7 preserve for five years a record in a form as the department of  
8 taxation shall prescribe showing the total number of barrels,  
9 and the fractional part of barrels, of petroleum product or the  
10 total number of one million British thermal units of fossil  
11 fuel, as the case may be, sold by the distributor during any  
12 calendar month. The record shall show any other data and  
13 figures relevant to the enforcement and administration of this  
14 chapter as the department may require.

15           ~~[(h)]~~ (j) For the purposes of this section:

16           "Barrel" may be converted to million British thermal units,  
17 using the United States Department of Energy, Energy Information  
18 Administration annual energy review or annual energy outlook.

19           "Fossil fuel" means a ~~[hydrocarbon deposit,]~~ fuel, such as  
20 coal, natural gas, or liquefied natural gas, derived from a  
21 hydrocarbon deposit resulting from the accumulated remains of



1 ancient plants or animals [~~and used for fuel;~~]; provided that  
2 the term specifically does not include petroleum product."

3 SECTION 6. Section 304A-2169.1, Hawaii Revised Statutes,  
4 is amended by amending subsection (b) to read as follows:

5 "(b) Deposits into the special fund may be from the  
6 following:

- 7 (1) Appropriations from the legislature;
- 8 (2) A portion of the environmental response, energy,  
9 carbon emission, and food security tax pursuant to  
10 section 243-3.5; and
- 11 (3) Investment earnings, gifts, donations, or other income  
12 received by the Hawaii natural energy institute."

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 upon its approval;  
16 provided that section 2 and section 5 of this Act shall apply to  
17 taxable years beginning after December 31, 2023.

18

INTRODUCED BY: Steve Ann B/R

JAN 25 2023



# H.B. NO. 1498

**Report Title:**

Environmental Response, Energy, Carbon Emissions, and Food Security Tax; Tax Credit

**Description:**

Establishes a carbon emissions tax credit. Expands the environmental response, energy, and food security tax to include carbon emissions. Applies to taxable years beginning after 12/31/2023.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

