

JAN 17 2025

A BILL FOR AN ACT

RELATING TO TAXATION OF AVIATION FUEL.

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

1 SECTION 1. The legislature finds that the State's
2 ambitious and ground-breaking efforts to address climate change
3 have overlooked aviation fuel and the resulting greenhouse gas
4 emissions. Air transportation accounts for nearly half of
5 Hawai'i's petroleum use, more than any other sector, according to
6 the state energy office's 2018 statistics. Unsurprisingly, air
7 travel is one of the largest sources of the State's greenhouse
8 gas emissions. Since Hawai'i is largely accessed through air
9 travel, the carbon emissions accumulated from the burning of jet
10 fuel needs greater consideration to achieve the State's
11 commitment to reducing the State's contribution to global
12 greenhouse gas emissions.

13 The legislature further finds that the Intergovernmental
14 Panel on Climate Change's 2018 report concluded that Hawai'i has
15 less than fifteen years to address permanent climate change and
16 sea level rise that is associated with a high level of
17 disruption to the islands of Hawai'i. The establishment of a



1 carbon tax on aviation fuel is a necessary action in climate
2 change mitigation and acquiring the funds to address the future
3 issues associated with climate change. The establishment of a
4 carbon tax on aviation fuel shall not be construed to interfere
5 with the air transportation industry but rather as a means to
6 help the industry serving Hawai'i meet the mandate set for
7 international commercial aviation by the International Civil
8 Aviation Organization. Under the Carbon Offsetting and
9 Reduction Scheme for International Aviation, airlines are
10 mandated to reduce aviation greenhouse gas emissions to fifty
11 per cent below 2005 levels by 2050.

12 The legislature also finds that the establishment of a
13 state carbon tax on aviation fuel will allow for the development
14 of sustainable aviation fuel capability in Hawai'i. This
15 development has the potential to reduce the State's dependence
16 on foreign sources of fuel, promote economic development, reduce
17 carbon emissions from the two highest emitting sectors, improve
18 the overall environmental sustainability in Hawai'i, and
19 demonstrate the State's continued leadership in actions to
20 reduce global greenhouse gas emissions.



1 The legislature notes that the reputation of Hawai'i's
2 airports is abysmal. Travelers regularly rank the State's
3 airports at the bottom. The J.D. Power 2022 North America
4 Airport Satisfaction Study reported that Honolulu's airport
5 ranked the second worst among large airports in its annual
6 survey of air passengers. The Kahului airport was also at the
7 bottom of the list in the midsize-airport category. The
8 department of transportation may also use revenue collected
9 under a carbon tax to upgrade and improve the State's airports.

10 The purpose of this Act is to establish a carbon tax on
11 aviation fuel to continue the State's leadership in global
12 greenhouse gas emission reduction actions. All tax revenue from
13 the carbon tax will be collected under chapter 243, Hawaii
14 Revised Statutes, as it pertains to jet fuel, to be set aside in
15 the airport revenue fund.

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

19 "§235- Tax credit to mitigate the effect of a carbon
20 emissions tax on lower income taxpayers. (a) There shall be
21 allowed to each qualified taxpayer subject to the tax imposed



1 under this chapter, an income tax credit that shall be
2 deductible from the taxpayer's net income tax liability, if any,
3 imposed by this chapter for the taxable year in which the credit
4 is properly claimed.

5 (b) The amount of the tax credit shall be determined as
6 follows:

7 (1) For taxpayers filing as single, the applicable tax
8 credit is determined by which bracket in the following
9 table a taxpayer's gross income falls within:

10

11	<u>Gross Income</u>	<u>Credit Amount</u>
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12	<u>\$60,000 or less but</u>	
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13	<u>more than \$50,000</u>	<u>\$50</u>
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15	<u>\$50,000 or less but</u>	
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16	<u>more than \$40,000</u>	<u>\$100</u>
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18	<u>\$40,000 or less but</u>	
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19	<u>more than \$30,000</u>	<u>\$150</u>
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21	<u>\$30,000 or less but</u>	
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1	<u>more than \$20,000</u>	<u>\$200</u>
2		
3	<u>\$20,000 or less</u>	<u>\$250; and</u>
4		

5 (2) For taxpayers filing as head of household, married but
6 filing separately, or married filing jointly, the
7 applicable tax credit is determined by which bracket
8 in the following table a taxpayer's gross income falls
9 within:

11	<u>Gross Income</u>	<u>Credit Amount</u>
12	<u>\$75,000 or less, but</u>	
13	<u>more than \$60,000</u>	<u>\$100</u>
14		
15	<u>\$60,000 or less, but</u>	
16	<u>more than \$40,000</u>	<u>\$200</u>
17		
18	<u>\$40,000 or less, but</u>	
19	<u>more than \$30,000</u>	<u>\$300</u>
20		
21	<u>\$30,000 or less, but</u>	



1 more than \$20,000 \$400

2

3 \$20,000 or less \$500.

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

12 All claims for the tax credit under this section, including
13 amended claims, shall be filed on or before the end of the
14 twelfth month following the close of the taxable year for which
15 the credit may be claimed. Failure to comply with the foregoing
16 provision shall constitute a waiver of the right to claim the
17 credit.

18 (d) The director of taxation:

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



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

4 (3) May adopt rules under chapter 91 necessary to
 5 effectuate the purposes of this section.

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

9 (f) For the purposes of this section, "qualified taxpayer"
 10 means a resident taxpayer who meets the following criteria:

11 (1) The taxpayer files an individual income tax return,
 12 whether as a single taxpayer, a head of household, a
 13 married individual filing a separate return, or a
 14 married couple filing a joint return; and

15 (2) The taxpayer has a gross income within the ranges
 16 listed in subsection (b)(1) or (2), as applicable."

17 SECTION 3. Chapter 243, Hawaii Revised Statutes, is
 18 amended by adding a new section to be appropriately designated
 19 and to read as follows:

20 "§243- Carbon emissions tax on aviation fuel. (a) In
 21 addition to any other taxes provided by law, there is hereby



1 imposed a state carbon emissions tax of \$6.25 per ton of carbon
2 dioxide equivalent emissions on all aviation fuel sold by a
3 distributor to any retail dealer or end user of the fuel, other
4 than a refiner. The tax shall be paid by the distributor of the
5 fuel. The tax shall be \$0.0522 per gallon; provided that the
6 tax shall increase annually based on the United States Energy
7 Information Administration's determination of carbon dioxide
8 emissions per energy source. The department of taxation shall
9 post the annual rate by December 15 of the year prior.

10 (b) Each distributor subject to the tax imposed by this
11 section, on or before the last day of each calendar month, shall
12 file with the director, on forms prescribed, prepared, and
13 furnished by the director, a return statement of the tax under
14 this section for which the distributor is liable for the
15 preceding month. The form and payment of the tax shall be
16 transmitted to the department of taxation in the appropriate
17 district.

18 (c) The tax collected under this section shall be paid
19 over to the director of finance for deposit as provided in
20 section 248-8.



1 (d) Every distributor shall keep in the State and preserve
2 for five years a record in a form as the department of taxation
3 shall prescribe showing the total number of gallons of aviation
4 fuel sold by the distributor during any calendar month. The
5 record shall show any other data and figures relevant to the
6 enforcement and administration of this chapter as the department
7 of taxation may require."

8 SECTION 4. Section 261-5, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 " (a) Except for:

11 (1) All proceeds from the passenger facility charge and
12 deposited in the passenger facility charge special
13 fund; and

14 (2) All proceeds from the rental motor vehicle customer
15 facility charge and deposited in the rental motor
16 vehicle customer facility charge special fund,

17 all moneys received by the department from rents, fees, and
18 other charges collected pursuant to this chapter, as well as all
19 aviation fuel taxes paid pursuant to ~~[section]~~ sections
20 243-4(a)(2) ~~[7]~~ and 243- , shall be paid into the airport
21 revenue fund created by section 248-8.



1 All moneys paid into the airport revenue fund shall be
2 appropriated, applied, or expended by the department for any
3 purpose within the jurisdiction, powers, duties, and functions
4 of the department related to the statewide system of airports,
5 including, without limitation, the costs of operation,
6 maintenance, and repair of the statewide system of airports and
7 reserves therefor, and acquisitions (including real property and
8 interests therein), constructions, additions, expansions,
9 improvements, renewals, replacements, reconstruction,
10 engineering, investigation, and planning for the statewide
11 system of airports, all or any of which in the judgment of the
12 department are necessary to the performance of its duties or
13 functions. The department shall generate sufficient revenues
14 from its airport properties to meet all of the expenditures of
15 the statewide system of airports and to comply with section
16 39-61; provided that as long as sufficient revenues are
17 generated to meet ~~such~~ the expenditures, the director of
18 transportation may, ~~in~~ at the director's discretion, grant a
19 rebate of the aviation fuel taxes paid into the airport revenue
20 fund during a fiscal year pursuant to sections 243-4(a)(2) and
21 248-8 to any person who has paid airport use charges or landing



1 fees during [~~such~~] the fiscal year. [~~Such~~] The rebate may be
2 granted during the next succeeding fiscal year but shall not
3 exceed one-half cent per gallon per person, and shall be
4 computed on the total number of gallons for which the tax was
5 paid by [~~such~~] the person, for [~~such~~] the fiscal year."

6 SECTION 5. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 6. This Act shall take effect upon its approval;
9 provided that section 2 and section 3 of this Act shall apply to
10 taxable years beginning after December 31, 2024.

11

INTRODUCED BY:



S.B. NO. 810

Report Title:

Aviation Fuel Tax; Carbon Tax; Airport Revenue Fund; Tax Credit

Description:

Imposes a state carbon emissions tax of \$6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel. Directs the aviation fuel tax into the airport revenue fund. Implements a tax credit to mitigate the effects of this tax on lower income taxpayers. Applies to taxable years beginning after 12/31/24.

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

