

A Bill for an Act Relating to Energy.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The increased use of alternative fuels in internal combustion engines can reduce the amount of air pollution generated by cars, increase mileage, and reduce dependency on fossil fuel. The purpose of this Act is to encourage fuel diversity and reduce Hawaii's reliance on imported fossil fuel by providing incentives that facilitate the increased use of alternative fuels.

SECTION 2. Section 243-4, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

“(c) The tax shall not be collected in respect to any benzol, benzene, toluol, xylol, or alternative fuel sold for use other than for operating internal combustion engines. With respect to these products, other than alternative fuels, the department by rule shall provide for the reporting and payment of the tax and for the keeping of records in respect thereto, in such manner as to collect, for each gallon of such product sold for use in internal combustion engines for the generation of power, or so used, the same tax or taxes as apply to each gallon of diesel oil. With respect to alternative fuels, the only tax collected shall be that provided in paragraphs (1), (2), and (3) of this subsection. This subsection shall not apply to aviation fuel sold for use in or used for airplanes.

- (1) Every distributor of any alternative fuel for operation of an internal combustion engine shall pay a license tax to the department of [~~1~~] one-quarter of one cent for each gallon of such alternative fuel sold or used by the distributor[-];
- (2) Every distributor, in addition to the tax required under paragraph (1) of this subsection, shall pay a license tax to the department for each gallon of alternative fuel sold or used by the distributor for operating a motor vehicle or motor vehicles upon the public highways of the State at a rate proportional to that of the rates applicable to diesel oil in subsection (b), rounded to the nearest one-tenth of a cent, as follows:
 - (A) Ethanol, [~~0.29~~] 0.145 times the rate for diesel;
 - (B) Methanol, [~~0.22~~] 0.11 times the rate for diesel;
 - (C) Biodiesel, [~~0.50~~] 0.25 times the rate for diesel;
 - (D) Liquefied petroleum gas, 0.33 times the rate for diesel; and
 - (E) For other alternative fuels, the rate shall be based on the energy content of the fuels as compared to diesel fuel, using a lower heating value of one hundred thirty thousand British thermal units per gallon as a standard for diesel, so that the tax rate, on an energy content basis, is equal to [~~half~~] one-quarter the rate for diesel fuel.

The taxes so paid shall be paid into the state treasury and deposited in special funds or paid over in the same manner as provided in subsection (b) in respect of the tax on diesel oil[-];

- (3) If any user of alternative fuel furnishes to the distributor a certificate, in such form as the department shall prescribe, or the distributor who uses alternative fuel signs such certificate, certifying that the alternative fuel is for use in operating a motor vehicle or motor vehicles in areas other than upon the public highways of the State, the tax as provided by paragraphs (1) and (2) of this section shall not be applicable; provided that no certificate shall be required if the alternative fuel is used for fuel

ACT 96

and heating purposes in the home. In the event a certificate is not or cannot be furnished and the alternative fuel is in fact used for operating an internal combustion engine or operating a motor vehicle or motor vehicles in areas other than upon the public highways of the State, the user thereof may obtain a refund of all taxes thereon imposed by such paragraphs. The department shall adopt rules to administer the refunding of such taxes imposed.”

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2004, and shall apply to taxable years beginning after December 31, 2003.

(Approved June 2, 2004.)