HOUSE OF REPRESENTATIVES
TWENTY-FOURTH LEGISLATURE, 2008
STATE OF HAWAII

H.B. NO. 2860

A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The legislature finds that a healthy inter-island airline industry is vital to the State's economy. Hawaii's inter-island airlines continue to face severe financial challenges. Fuel costs in particular have skyrocketed and grown volatile in recent years. In fact, for most airlines, the cost of fuel has surpassed labor as the highest operating cost factor.

Sales of fuel sold from a foreign-trade zone for use by airlines traveling out-of-the-state are exempt from general excise and use taxes. However, intrastate flights are not exempt. To the extent that the Hawaii general excise and use taxes apply to intrastate flights, these taxes only exacerbate the problem for Hawaii airlines.

The legislature finds that exempting common carriers from the general excise and use taxes for sales of fuel from a foreign trade zone for intrastate flights would level the playing field and create a fairer market for all airlines.

The purpose of this Act is to exempt common carriers from the general excise and use taxes for fuel sold from a foreign trade zone to common carriers for use in intrastate transportation.

SECTION 2. Section 212-8, Hawaii Revised Statutes, is amended to read as follows:

"**§212-8 Exemption from taxes.** (a) Notwithstanding any law to the contrary, sales of all products [~~which are~~] categorized as privileged foreign merchandise, nonprivileged foreign merchandise, domestic merchandise, or zone-restricted merchandise, and [~~which are~~] admitted into a foreign-trade zone, as more specifically set forth in the Act of Congress, and any rules and regulations promulgated thereunder, made directly to any common carrier in interstate or foreign commerce, or both, whether ocean-going or air, for consumption out-of-state by the crew or passengers on the shipper's vessels or airplanes, or for use out-of-state by the vessels or airplanes, shall be exempt from those taxes imposed under chapters 237, 238, 243, 244D, and 245.

(b) Notwithstanding any law to the contrary, sales of aviation fuel categorized as privileged foreign merchandise, nonprivileged foreign merchandise, domestic merchandise, or

zone-restricted merchandise, that is admitted into a foreign-trade zone, as more specifically set forth by an Act of Congress and any rules and regulations thereunder, made directly to or used by any common carrier for consumption or use in interstate air transportation shall be exempt from taxes imposed under chapters 237 and 238.

As used in this subsection:

"Aviation fuel" shall have the same meaning as defined in section 243-1.

"Interstate air transportation" means the transportation of passengers or property by aircraft as defined in Title 49 United States Code Section 40102(25)."

SECTION 3. This Act shall not be construed to imply that any law prior to the effective date of this Act is inconsistent with this Act.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2008.

INTRODUCED BY:

JAN 22 2008

Report Title:
Taxes; Intrastate Aviation; Foreign Trade Zone; Exemption

Description:
Exempts from general excise and use taxes the fuel sold from a foreign-trade zone for intrastate air transportation by common carriers.