
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Act 209, Session Laws of Hawaii 2007 (Act 209),
2 increased the license tax on liquid fuels, including diesel oil,
3 from 1 cent to 2 cents per gallon. The revenues from this tax
4 are used to support the operation, maintenance, and construction
5 of the state highway system. The legislature finds that Act 209
6 inadvertently increased the cost of electricity generated by
7 diesel fuel. The purpose of this Act is to revert the license
8 tax on liquid fuels back to 1 cent per gallon for diesel used in
9 electric power-generation by a power-generating facility
10 regulated by the public utilities commission.

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

13 "(a) Every distributor, in addition to any other taxes
14 provided by law, shall pay a license tax to the department of
15 taxation for each gallon of liquid fuel refined, manufactured,
16 produced, or compounded by the distributor and sold or used by
17 the distributor in the [~~State~~] state or imported by the

1 distributor, or acquired by the distributor from persons who are
2 not licensed distributors, and sold or used by the distributor
3 in the [~~State.~~] state. Any person who sells or uses any liquid
4 fuel, knowing that the distributor from whom it was originally
5 purchased has not paid and is not paying the tax thereon, shall
6 pay such tax as would have applied to such sale or use by the
7 distributor. The rates of tax imposed are as follows:

- 8 (1) For each gallon of diesel oil, 2 cents[+], except for
9 diesel oil sold for use in electric power generation
10 by a power-generating facility regulated by the public
11 utilities commission, 1 cent; provided that each
12 entity that uses diesel oil in a power-generating
13 facility shall certify annually to the public
14 utilities commission, on a form to be supplied by the
15 commission, that the reduced rate paid by the entity
16 under this paragraph reduces costs to ratepayers;
- 17 (2) For each gallon of gasoline or other aviation fuel
18 sold for use in or used for airplanes, 2 cents;
- 19 (3) For each gallon of naphtha sold for use in a
20 power-generating facility, 1 cent;
- 21 (4) For each gallon of liquid fuel, other than fuel
22 mentioned in paragraphs (1), (2), and (3), and other

1 than an alternative fuel, sold or used in the city and
2 county of Honolulu, or sold in any county for ultimate
3 use in the city and county of Honolulu, 17 cents state
4 tax, and in addition thereto an amount, to be known as
5 the "city and county of Honolulu fuel tax", as shall
6 be levied pursuant to section 243-5;

7 (5) For each gallon of liquid fuel, other than fuel
8 mentioned in paragraphs (1), (2), and (3), and other
9 than an alternative fuel, sold or used in the county
10 of Hawaii, or sold in any county for ultimate use in
11 the county of Hawaii, 17 cents state tax, and in
12 addition thereto an amount, to be known as the "county
13 of Hawaii fuel tax", as shall be levied pursuant to
14 section 243-5;

15 (6) For each gallon of liquid fuel, other than fuel
16 mentioned in paragraphs (1), (2), and (3), and other
17 than an alternative fuel, sold or used in the county
18 of Maui, or sold in any county for ultimate use in the
19 county of Maui, 17 cents state tax, and in addition
20 thereto an amount, to be known as the "county of Maui
21 fuel tax", as shall be levied pursuant to section
22 243-5; and

1 (7) For each gallon of liquid fuel, other than fuel
2 mentioned in paragraphs (1), (2), and (3), and other
3 than an alternative fuel, sold or used in the county
4 of Kauai, or sold in any county for ultimate use in
5 the county of Kauai, 17 cents state tax, and in
6 addition thereto an amount, to be known as the "county
7 of Kauai fuel tax", as shall be levied pursuant to
8 section 243-5.

9 If it is shown to the satisfaction of the department, based
10 upon proper records and from any other evidence as the
11 department may require, that liquid fuel, other than fuel
12 mentioned in paragraphs (1), (2), and (3), is used for
13 agricultural equipment that does not operate upon the public
14 highways of the State, the user thereof may obtain a refund of
15 all taxes thereon imposed by this section in excess of 1 cent
16 per gallon. The department shall adopt rules to administer such
17 refunds."

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

20 SECTION 4. This Act shall take effect on July 1, 2009, and
21 shall apply to taxable years beginning after December 31, 2008;
22 provided that the amendments made by this Act to section

- 1 243-4(a), Hawaii Revised Statutes, shall not be repealed when
- 2 that section is repealed and reenacted pursuant to Act 103,
- 3 Session Laws of Hawaii 2007.

Report Title:

Diesel Fuel; Additional One Cent License Tax; Power Generation

Description:

Clarifies that the additional one cent license tax added to diesel fuel is not applicable to diesel oil that is sold for use in electric power generation by a power-generating facility.
(SD1)