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 climate change is the most pressing issue of our time. There are many contributors to climate change, a significant one being transportation-generated greenhouse gas emissions. The Hawaii climate change mitigation and adaptation commission has stated that the most effective single means of reducing greenhouse gas emissions is to "put a price on carbon". The concept of "carbon pricing" is supported by various local and state entities and, as of the end of 2018, fifty-one carbon pricing initiatives have been implemented or scheduled for implementation worldwide.

Numerous respected economists have emphasized the importance of ensuring that the social costs of the adverse impacts of carbon dioxide emissions will be included in future market pricing involving fossil fuels. Examples include: Report of the High-Level Commission on Carbon Prices, prepared by a group of economists overseen by Commission Chairs, Joseph E. Sigtixt and Lord Nicolas Stern, World Bank Publications 2017;
and The Economics of Climate Change - The Stern Review, Cambridge University Press 2007, prepared by a team of economists at Great Britain's Exchequer chaired by Nicholas Stern, chair of the Grantham Research Institute on Climate Change and the Environment, the London School of Economics.

The legislature further finds that the best means of carbon pricing for the State is a use-based tax on all carbon dioxide-emitting fuels, such as oil, gas, and coal. The department of taxation already implements various fuel-based taxes, and a state carbon emissions tax can be implemented by amending the environmental response, energy, and food security tax and repealing the state fuel tax. A carbon emissions tax can be assessed and collected for each fuel based on the carbon dioxide-emitting content of that fuel.

According to the department of taxation, the total tax collected from fuel-based taxes in fiscal year 2017-2018 was $201.8 million. Of this, $86.9 million was distributed to the counties' highway funds. Of the remaining $114.8 million, $83.5 million was distributed to the state highway fund, $11.6 million to the environmental response funds, $1.7 million to the state boating fund, and $2.6 million to the airport fund. A remaining
$15.3 million was distributed to the general fund. On the consumption side, the largest amount of taxable fuel consumed was gasoline, at 466 million gallons, and the next largest amount was aviation fuel, at 263.2 million gallons, which together accounted for 79.2 per cent of the total amount of taxable fuel consumed in the 2017-2018 fiscal year.

A carbon emissions tax is typically calculated as a value per metric ton of carbon dioxide equivalent emissions. In Hawaii, a tax of $18 per metric ton of carbon dioxide equivalent emissions would maintain the current state tax of 16 cents per gallon of gasoline. The carbon tax on other fuels would be calculated at the same rate of $18 per metric ton of emissions. The county fuel taxes, which are used by the counties for their respective highway needs, would remain unaffected. The legislature also finds that it is necessary to include a mechanism for performing periodic reviews of the amount of the carbon tax set in this Act to assess whether adjustments are needed to ensure that the State will meet the goals set by the Paris Agreement. It is anticipated that the currently pending carbon pricing study requested by the legislature during the 2019 session will assist in this continuing reassessment.
The legislature also finds that an effective carbon tax would increase the prices of various products and services based on the amount of carbon dioxide emissions associated with their production. Publications issued by the Congressional Budget Office, as well as other studies, have shown that such a tax will likely be regressive, imposing a larger burden, relative to income, on low-income households than on high-income households. As the Hawaii climate change mitigation and adaptation commission noted, a carbon tax should be equitable and minimize regressivity. The legislature believes that a refundable income tax credit for individuals earning moderate to low household incomes could alleviate some of the increased costs incurred by those households that would result from imposition of a carbon emissions tax.

The purpose of this Act is to:

(1) Replace the environmental response, energy, and food security tax (commonly called the "barrel tax") with a carbon emission tax on the sale of all fuels having carbon content;

(2) Repeal the state fuel tax; and
(3) Establish a refundable tax credit for individuals earning sixty per cent or less of the area median income.

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

"§235- Tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers. (a) There shall be allowed to each qualified taxpayer subject to the tax imposed under this chapter, an income tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

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

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

<table>
<thead>
<tr>
<th>Gross Annual Household Income</th>
<th>Credit Amount</th>
</tr>
</thead>
</table>

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$60,000 or less but
more than $50,000    $ 25

$50,000 or less but
more than $40,000    $ 50

$40,000 or less but
more than $30,000    $ 75

$30,000 or less but
more than $20,000    $100

$20,000 or less

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

<table>
<thead>
<tr>
<th>Gross Annual Household Income</th>
<th>Credit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60,000 or less</td>
<td>$ 25</td>
</tr>
<tr>
<td>$50,000 or less</td>
<td>$ 50</td>
</tr>
<tr>
<td>$40,000 or less</td>
<td>$ 75</td>
</tr>
<tr>
<td>$30,000 or less</td>
<td>$100</td>
</tr>
<tr>
<td>$20,000 or less</td>
<td>$125</td>
</tr>
</tbody>
</table>
$75,000 or less, but more than $60,000 $ 50

$60,000 or less, but more than $40,000 $100

$40,000 or less, but more than $30,000 $150

$30,000 or less, but more than $20,000 $200

$20,000 or less $250.

(c) If the tax credit claimed by the taxpayer under this section exceeds the amount of the income tax payments due from the taxpayer, the excess of credit over payments due shall be refunded to the taxpayer; provided that the tax credit properly claimed by a taxpayer who has no income tax liability shall be paid to the taxpayer; provided further that no refunds or payments on account of the tax credit allowed by this section shall be made for amounts less than $1.
All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(d) The director of taxation:

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

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

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

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

(f) As used in this section, "qualified taxpayer" means a resident taxpayer who meets the following criteria:

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

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

SECTION 3. Section 23-94, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) This section shall apply to the following:

(1) Section 235-4.5(a)--Exclusion of intangible income earned by a trust sited in this State;

(2) Section 235-4.5(b)--Exclusion of intangible income of a foreign corporation owned by a trust sited in this State;

(3) Section 235-4.5(c)--Credit to a resident beneficiary of a trust for income taxes paid by the trust to another state;

(4) Sections 235-55 and 235-129--Credit for income taxes paid by a resident taxpayer to another jurisdiction;
(5) Section 235-71(c)—Credit for a regulated investment company shareholder for the capital gains tax paid by the company;

[+6] (6) Section 235-110.6—Credit for fuel taxes paid by a commercial fisher;

[+7+] (6) Section 235-110.93—Credit for important agricultural land qualified agricultural cost;

[+8+] (7) Section 235-110.94—Credit for organically produced agricultural products;

[+9+] (8) Section 235-129(b)—Credit to a shareholder of an S corporation for the shareholder’s pro rata share of the tax credit earned by the S corporation in this State; and

[+10+] (9) Section 209E-10—Credit for a qualified business in an enterprise zone; provided that the review of this credit pursuant to this part shall be limited in scope to income tax credits."

SECTION 4. Chapter 243, Hawaii Revised Statutes, is amended by amending its title to read as follows:

"CHAPTER 243

CARBON EMISSIONS AND FUEL TAX LAW"
SECTION 5. Section 243-3.5, Hawaii Revised Statutes, is amended to read as follows:

"§243-3.5 [Environmental response, energy, and food security tax—uses—] Carbon emissions tax. (a) In addition to any other taxes provided by law, [subject to the exemptions set forth in section 243-7], there is hereby imposed a state [environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be $1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the] carbon emissions tax of $18 per metric ton of carbon dioxide equivalent emissions on all fossil fuels sold by a distributor to any retail dealer or end user of the fuel, other than a refiner. The tax shall be paid by the distributor of the fuel. The tax, applied as an amount per unit of mass or volume of fuel, shall be as follows:

(1) Propane: $0.1037 per gallon;
(2) Butane: $0.1208 per gallon;
(3) Butane/propane mix: $0.1119 per gallon;
(4) Home heating and diesel fuel (distillate): $0.1829 per gallon;
(5) Kerosene: $0.1755 per gallon;
(6) Coal (all types): $37.8147 per short ton;
(7) Natural gas: $0.9561 per thousand cubic feet;
(8) Gasoline: $0.1600 per gallon;
(9) Residual heating fuel (businesses only): $0.2123 per gallon;
(10) Jet fuel: $0.1723 per gallon;
(11) Aviation gas: $0.1502 per gallon;
(12) Flared natural gas: $0.9855 per thousand cubic feet;
(13) Petroleum coke: $0.2645 per gallon;
(14) Other petroleum and miscellaneous fuels: $0.1804 per gallon;
(15) Asphalt and road oil: $0.2150 per gallon;
(16) Lubricants: $0.1929 per gallon;
(17) Petrochemical feedstocks: $0.2020 per gallon;
(18) Special naphthas (solvents): $0.1637 per gallon;
(19) Waxes: $0.1723 per gallon;
(20) Anthracite: $46.4162 per short ton;
(21) Bituminous: $40.2624 per short ton;
(22) Subbituminous: $30.3391 per short ton;
(23) Lignite: $22.7925 per short ton;
(24) Coke: $50.9449 per short ton;
(25) Municipal solid waste: $47.1183 per short ton;
(26) Tire-derived fuel: $50.2944 per short ton;
(27) Waste oil: $7.5442 per barrel; and
(28) All other fuels: $18.00 per metric ton of carbon
dioxide equivalent emissions;

provided that the department of business, economic development,
and tourism shall recommend updates to the tax per fuel
annually, based on the United States Energy Information
Administration's determination of carbon dioxide emissions per
energy source and the department's analysis of the annual price
increase per carbon dioxide equivalent that is necessary for the
State to meet its goal of net zero emissions, and submit
proposed legislation to the legislature no later than forty-five
days prior to the convening of each regular session of the
legislature with updates to the tax rates.

(b) The tax collected in any fiscal year pursuant to this
subsection shall be distributed as follows, with the
excess revenues to be deposited into the general fund:
(1) [5 cents of the tax on each barrel] $1,291,000 shall be deposited into the environmental response revolving fund established under section 128D-2;

(2) [5 cents of the tax on each barrel] $3,872,000 shall be deposited into the energy security special fund established under section 201-12.8;

(3) [10 cents of the tax on each barrel] $2,582,000 shall be deposited into the energy systems development special fund established under section 304A-2169.1; [and]

(4) [15 cents of the tax on each barrel] $3,872,000 shall be deposited into the agricultural development and food security special fund established under section 141-10[-]; and

(5) $83,500,000 shall be deposited into the state highway fund established under section 248-8; provided that this amount shall not include taxes collected on gasoline or other aviation fuel sold for use in or used for airplanes or liquid fuel sold for use in or used for small boats.
The tax imposed by this subsection shall be paid by the distributor of the petroleum product.

(b) In addition to subsection (a), the tax shall also be imposed on each one million British thermal units of fossil fuel sold by a distributor to any retail dealer or end user, other than a refiner, of fossil fuel. The tax shall be 19 cents on each one million British thermal units of fossil fuel, provided that of the tax collected pursuant to this subsection:

(1) 4.8 per cent of the tax on each one million British thermal units shall be deposited into the environmental response revolving fund established under section 128D-2;

(2) 14.3 per cent of the tax on each one million British thermal units shall be deposited into the energy security special fund established under section 201-12.8;

(3) 9.5 per cent of the tax on each one million British thermal units shall be deposited into the energy systems development special fund established under section 304A-2169.1; and
(4) 14.3 per cent of the tax on each one million British
thermal units shall be deposited into the agricultural
development and food security special fund established
under section 141-10.

The tax imposed by this subsection shall be paid by the
distributor of the fossil fuel.] In the event that the total
tax collected in a fiscal year pursuant to this section,
excluding taxes collected on gasoline or other aviation fuel
sold for use in or used for airplanes or liquid fuel sold for
use in or used for small boats, is less than $95,117,000, then
the distributions for that fiscal year to each of the funds
listed in paragraphs (1) to (5) shall be proportionally reduced
by multiplying the specific monetary amounts stated in
paragraphs (1) to (5) by a fraction whose numerator is the total
tax collected in the fiscal year (subject to the exclusion
described above) and whose denominator is $95,117,000.

(c) The tax imposed on various forms of coal under
[subsection (b)] this section shall not apply to coal used to
fulfill [a signed] an existing power purchase agreement between
an independent power producer and an electric utility that [is]
was in effect as of June 30, 2015[—]; provided, however, that
this exemption from taxation shall not apply to any extension of an existing power purchase agreement or to any subsequent power purchase agreement. An independent power producer shall be permitted to pass the tax imposed under [subsection (b)] this section on to an electric utility. In [which case] cases in which the tax is passed on to an electric utility, the electric utility may recover the cost of the tax through an appropriate surcharge to the end user that is approved by the public utilities commission.

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

(e) Each distributor subject to the tax imposed by [subsection (a) or (b)], this section, on or before the last day of each calendar month, shall file with the director, on forms prescribed, prepared, and furnished by the director, a return statement of the tax under this section for which the distributor is liable for the preceding month. The form and payment of the tax shall be transmitted to the department of taxation in the appropriate district.
(f) [Notwithstanding section 248-8 to the contrary, the environmental response, energy, and food security] The tax collected under this section shall be paid over to the director of finance for deposit as provided in subsection [(a) or (b), as the case may be.] (b) and section 248-8.

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

(h) No tax shall be collected in respect to any liquid fuel, including diesel oil and liquefied petroleum gas, shown to the satisfaction of the department to have been sold for use in and actually delivered to, or sold in, the county of Kalawao.

[{(h+)} (i) For the purposes of this section:
"Barrel" may be converted to million British thermal units, using the United States Department of Energy, Energy Information Administration annual energy review or annual energy outlook.]

"Carbon dioxide equivalent" means, for a greenhouse gas other than carbon dioxide, the number of metric tons of carbon dioxide emissions having the same global warming potential as one metric ton of that greenhouse gas.

"Fossil fuel" means [a hydrocarbon deposit, such as] coal, coal products, petroleum, petroleum products, natural gas, or liquefied natural gas[—derived from the accumulated remains of ancient plants or animals and] used for fuel[—provided that the term specifically does not include petroleum product].

"Greenhouse gas" means carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulfur hexafluoride (SF₆), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and other gases as may be defined.

"Metric ton" means 1,000 kilograms.

"Unit" means the unit of measurement customarily used for the specific fossil fuel, as listed in section 243-3.5(a)."
SECTION 6. Section 243-4, Hawaii Revised Statutes, is amended to read as follows:

"§243-4 [License—taxes.] County fuel tax; payment by whom.  
(a) Every distributor shall, in addition to any other taxes provided by law, pay a [license] county fuel tax to the department of taxation for each gallon of liquid fuel refined, manufactured, produced, or compounded by the distributor and sold or used by the distributor in the State or imported by the distributor, or acquired by the distributor from persons who are not licensed distributors, and sold or used by the distributor in the State. Any person who sells or uses any liquid fuel, knowing that the distributor from whom it was originally purchased has not paid and is not paying the tax thereon, shall pay [such] the tax as would have applied to [such] the sale or use by the distributor. The rates of tax imposed are as follows:

1. For each gallon of diesel oil, 1 cent;
2. For each gallon of gasoline or other aviation fuel sold for use in or used for airplanes, 1 cent;
3. For each gallon of naphtha sold for use in a power-generating facility, 2 cents;
(4)] (1) For each gallon of liquid fuel, [other than fuel mentioned in paragraphs (1), (2), and (3), and] other than an alternative fuel, sold or used in the city and county of Honolulu, or sold in any county for ultimate use in the city and county of Honolulu, [16-cents state tax, and in addition thereto] an amount, to be known as the "city and county of Honolulu fuel tax", as shall be levied pursuant to section 243-5;

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

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

[4(7)] (4) For each gallon of liquid fuel, [other than fuel mentioned in paragraphs (1), (2), and (3), and] other than an alternative fuel, sold or used in the county of Kauai, or sold in any county for ultimate use in the county of Kauai, [16 cents state tax, and in addition thereto] an amount, to be known as the "county of Kauai fuel tax", as shall be levied pursuant to section 243-5.

If it is shown to the satisfaction of the department, based upon proper records and from any other evidence as the department may require, that liquid fuel[, other than fuel mentioned in paragraphs (1), (2), and (3),] is used for agricultural equipment that does not operate upon the public highways of the State, the user thereof may obtain a refund of all taxes thereon imposed by this section in excess of 1 cent per gallon. The department shall adopt rules to administer such refunds.
As used in this subsection, "liquid fuel" does not include diesel oil, gasoline or other aviation fuel sold for use in or used for airplanes, or naphtha sold for use in a power-generating facility.

(b) Every distributor of diesel oil, in addition to the tax required by subsection (a), shall pay a [license] county fuel tax to the department for each gallon of diesel oil sold or used by the distributor for operating a motor vehicle or motor vehicles upon public highways of the State. The rates of the additional tax imposed are as follows:

(1) For each gallon of diesel oil sold or used in the city and county of Honolulu, or sold in any other county for ultimate use in the city and county of Honolulu, [15 cents state tax, and in addition thereto] an amount, to be known as the "city and county of Honolulu fuel tax", as shall be levied pursuant to section 243-5;

(2) For each gallon of diesel oil sold or used in the county of Hawaii, or sold in any other county for ultimate use in the county of Hawaii, [15 cents state tax, and in addition thereto] an amount, to be known
as the "county of Hawaii fuel tax", as shall be levied pursuant to section 243-5;

(3) For each gallon of diesel oil sold or used in the county of Maui, or sold in any other county for ultimate use in the county of Maui, [15 cents state tax, and in addition thereto] an amount, to be known as the "county of Maui fuel tax", as shall be levied pursuant to section 243-5; and

(4) For each gallon of diesel oil sold or used in the county of Kauai, or sold in any other county for ultimate use in the county of Kauai, [15 cents state tax, and in addition thereto] an amount, to be known as the "county of Kauai fuel tax", as shall be levied pursuant to section 243-5.

If any user of diesel oil furnishes a certificate, in a form that the department shall prescribe, to the distributor or if the distributor who uses diesel oil signs the certificate, certifying that the diesel oil 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 in paragraphs (1) to (4) shall not be applicable. If a certificate is not or cannot
be furnished and the diesel oil is in fact for use for operating
a motor vehicle or motor vehicles in areas other than upon
public highways of the State, the user thereof may obtain a
refund of all taxes thereon imposed by the foregoing paragraphs.
The department shall adopt rules to administer the refunding of
such taxes.

(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 such a manner as to
collect, for each gallon of each 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 one quarter of 1-cent
for each gallon of 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, 0.145 times the rate for diesel;

(B) Methanol, 0.11 times the rate for diesel;

(C) Biodiesel, 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 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 a form that the
department shall prescribe or if the distributor who
uses alternative fuel signs the 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
subsection shall not be applicable, provided that no
certificate shall be required if the alternative fuel
is used for fuel and heating purposes in the home. If
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 the
foregoing paragraphs. The department shall adopt
rules to administer the refunding of these taxes.]

(d) No tax shall be collected in respect to any liquid
fuel, including diesel oil and liquefied petroleum gas, shown to
the satisfaction of the department to have been sold for use in
and actually delivered to, or sold in, the county of Kalawao."

SECTION 7. Section 243-5, Hawaii Revised Statutes, is
amended by amending its title to read as follows:

"§243-5 County fuel tax[†]; amount."

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

"(a) Except for:

(1) All proceeds from the passenger facility charge and
deposited in the passenger facility charge special
fund; and
(2) All proceeds from the rental motor vehicle customer facility charge and deposited in the rental motor vehicle customer facility charge special fund, all moneys received by the department from rents, fees, and other charges collected pursuant to this chapter, as well as all [aviation-fuel] taxes on gasoline or other aviation fuel sold for use in or used for airplanes paid pursuant to section [243-4(a)-(2),] 243-3.5(a), shall be paid into the airport revenue fund created by section 248-8. All moneys paid into the airport revenue fund shall be appropriated, applied, or expended by the department for any purpose within the jurisdiction, powers, duties, and functions of the department related to the statewide system of airports, including, without limitation, the costs of operation, maintenance, and repair of the statewide system of airports and reserves therefor, and acquisitions (including real property and interests therein), constructions, additions, expansions, improvements, renewals, replacements, reconstruction, engineering, investigation, and planning for the statewide system of airports, all or any of which in the judgment of the department are necessary to the performance of its duties or
functions. The department shall generate sufficient revenues from its airport properties to meet all of the expenditures of the statewide system of airports and to comply with section 39-61; provided that as long as sufficient revenues are generated to meet [such] the expenditures, the director of transportation [may], in the director's discretion, may grant a rebate of the aviation fuel taxes paid into the airport revenue fund during a fiscal year pursuant to sections [243-4(a)-(2)] 243-3.5(a) and 248-8 to any person who has paid airport use charges or landing fees during [such] that fiscal year. [Such] The rebate may be granted during the next succeeding fiscal year but shall not exceed one-half cent per gallon per person, and shall be computed on the total number of gallons for which the tax was paid by [such] the person, for [such] the fiscal year."

SECTION 9. Sections 128D-2, 141-10, 201-12.8, and 304A-2169.1, Hawaii Revised Statutes, are amended by substituting the term "carbon emissions tax", or similar term, wherever the term "environmental response, energy, and food security tax", or similar term, appears, as the context requires.
SECTION 10. Sections 243-8, 243-12, 243-13, and 243-14, Hawaii Revised Statutes, are amended by substituting the term "county fuel tax", or similar term, wherever the term "license tax", or similar term, appears, as the context requires.

SECTION 11. Section 235-110.6, Hawaii Revised Statutes, is repealed.

[
"§235-110.6 Fuel tax credit for commercial fishers."

(a) Each principal operator of a commercial fishing vessel who files an individual or corporate net income tax return for a taxable year may claim an income tax credit under this section against the Hawaii state individual or corporate net income tax.

(b) The tax credit shall be an amount equal to the fuel taxes imposed under section 243-4(a) and paid by the principal operator during the taxable year.

(c) The tax credit claimed under this section by the principal operator shall be deductible from the principal operator's individual or corporate income tax liability, if any, for the tax year in which the credit is properly claimed, provided that a husband and wife filing separate returns for a taxable year for which a joint return could have been made by them shall claim only the tax credit to which they would have
been entitled had a joint return been filed. If the tax credit
claimed by the principal operator under this section exceeds the
amount of the income tax payments due from the principal
operator, the excess of credit over payments due shall be
refunded to the principal operator from the state highway fund.
provided that the tax credit properly claimed by a principal
operator who has no income tax liability shall be paid to the
principal operator from the state highway fund, and provided
further no refunds or payments on account of the tax credit
allowed by this section shall be made for amounts less than $1.

(d) The director of taxation shall prepare such forms as
may be necessary to claim a credit under this section, may
require proof of the claim for the tax credit, and may adopt
rules pursuant to chapter 91.

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

(f) Claims for the tax credit under this section,
including any amended claims thereof, shall be filed on or
before the end of the twelfth month following the taxable year
for which the credit may be claimed.
(g) As used in this section:

(1) "Commercial fishing vessel" means any water vessel which is used to catch or process fish or transport fish loaded on the high seas.

(2) "Principal operator" means any individual or corporate resident taxpayer who derives at least fifty-one percent of the taxpayer’s gross annual income from commercial fishing operations.

SECTION 12. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 13. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 14. This Act shall take effect on January 1, 2021; provided that sections 2 and 11 shall apply to taxable years beginning after December 31, 2020.

INTRODUCED BY: [Signatures]
Report Title:
Taxation; Carbon Emissions Tax; License Tax; Report

Description:
Replaces the environmental response, energy, and food security tax with a carbon emissions tax. Repeals state fuel taxes under the fuel tax law. Takes effect 1/1/2021; provided that repeal of the fuel tax credit for commercial fishers takes effect beginning with taxable years after 12/31/2020.

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