

Honolulu, Hawaii  
**Feb 4**, 2008

RE: H.B. No. 2860  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns,  
to which was referred H.B. No. 2860 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to create a fairer market for Hawaii's inter-island airlines by exempting sales of aviation fuel to be used by a common carrier in interstate air transportation from the general excise and use taxes.

Aloha Airlines, March of Dimes, Hawaii Chapter, Transport Workers Union, International Association of Machinists and Aerospace Workers District 141, and Aloha Airlines Pilots' Union testified in support of this bill. The Department of Business, Economic Development, and Tourism and Hawaiian Airlines supported the intent of this bill. The Department of Taxation and State Attorney General commented.

Under federal law, all common carriers in the United States, including Hawaii's inter-island airlines, are considered to be interstate carriers. They are therefore regulated by the same federal laws and rules as other interstate carriers. Hawaii law exempts "interstate" carriers from the general excise and use taxes on aviation fuel sold from the Hawaii Foreign Trade Zone. However, Hawaii denies the exemption to inter-island carriers and does not recognize the federal interstate classification.



This measure would allow interisland carriers to receive the general excise and use tax exemption on aviation fuel, and reduce the tax burdens of our local carriers and of the consumers of their services.

Your Committee has amended this bill by:

- (1) Changing its effective date to July 1, 2034, to facilitate further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2860, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2860, H.D. 1, and be referred to the Committee on Transportation.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business  
Concerns,



KYLE T. YAMASHITA, Chair



**Record of Votes of the Committee on Economic Development & Business Concerns**

<b>Bill/Resolution No.:</b> HB 2860	<b>Committee Referral:</b> EDB, TRN, FIN	<b>Date:</b> 1/31/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
<b>EDB Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. YAMASHITA, Kyle T. (C)	✓			
2. WAKAI, Glenn (VC)	✓			
3. BERG, Lyla B., Ph.D.				✓
4. BROWER, Tom	✓			
5. CHANG, Jerry L.	✓			
6. HANOHANO, Faye P.	✓			
7. HERKES, Robert N.	✓			
8. MANAHAN, Joey	✓			
9. TSUJI, Clift	✓			
10. YAMANE, Ryan I.	✓			
11. CHING, Corinne W.L.				✓
12. MARUMOTO, Barbara C.	✓			
<b>TOTAL (12)</b>	10	∅	∅	2
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
<b>Vice Chair's or designee's signature:</b> _____				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office				