

Honolulu, Hawaii

May 1, 2007

RE: S.B. No. 1034
S.D. 2
H.D. 1
C.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1034, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to exempt aviation fuel purchased by a common carrier for use in intrastate transportation from within a foreign trade zone from the general excise and use taxes.

Your Committee on Conference 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.



The intent of this measure is to level the playing field and create a fairer market for all airlines. Sales of fuel sold from a foreign-trade zone for use by airlines traveling out of the State of Hawaii are exempt from general excise and use taxes. However, intrastate flights are not exempt.

Your Committee on Conference has amended this measure by:

- (1) Deleting amendments to the foreign trade zone chapter (chapter 212, Hawaii Revised Statutes);
- (2) Clarifying the language of the amendment to more accurately reflect the nature of the exemption;
- (3) Adding a monetary cap of \$3,800,000 annually to the general excise and use taxes;
- (4) Deleting the requirement that the Department of Taxation conduct a study on the impact of the exemption;
- (5) Changing the effective date to July 1, 2007; and
- (6) Adding a reenactment provision to preserve the underlying provisions of the affected sections of law upon the repeal of the amendments made by this measure on December 31, 2009.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1034, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 1034, S.D. 2, H.D. 1, C.D. 1.

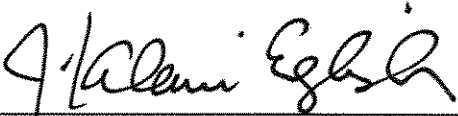


Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE


KYLE T. YAMASHITA, Co-Chair


J. KALANI ENGLISH, Chair


JOSEPH M. SOUKI, Co-Chair


CAROL FUKUNAGA, Co-Chair


MARCUS R. OSHIRO, Co-Chair


ROSALYN H. BAKER, Co-Chair



Hawaii State Legislature

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 1034, SD 2, HD 1	Date/Time: <i>April 27, 2007 9:18 p.m.</i>
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure

The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
ENGLISH, J. Kalani, Chr.	X				YAMASHITA, Kyle T., Co-Chr.	X			
FUKUNAGA, Carol, Co-Chr.	X				SOUKI, Joseph M., Co-Chr.	X			
BAKER, Rosalyn H., Co-Chr.	X				OSHIRO, Marcus R., Co-Chr.	X			
GABBARD, Mike	X			<i>ME</i>	CHONG, Pono	X			
					PINE, Kymberly Marcos	X			
TOTAL	<i>5</i>				TOTAL	<i>5</i>			

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is:
 Adopted Not Adopted

House Recommendation is:
 Adopted Not Adopted

Senate Lead Chair's or Designee's Signature:


House Lead Chair's or Designee's Signature:


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