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Posted on: Friday, April 30, 2010

Hawaii tax increase on oil, gas goes into effect by veto override

Measure was among 11 that lawmakers reversed

Advertiser Staff and news services

Expect gas prices, electric bills and shipping costs to rise because the state Legislature voted yesterday to override a veto of a \$1-per-barrel tax increase on oil products.

Hawai'i already has the most expensive electricity rates and gas in the nation, and they're expected to become even more costly when this tax increase takes effect in July. Island drivers paid \$3.58 per gallon of regular unleaded yesterday, according to the AAA's Fuel Gauge Report.

The petroleum tax bill, House Bill 2421, is one of 11 measures that became law following veto overrides by lawmakers yesterday.

Others include requiring contractors to hire 80 percent of their workers from among Hawai'i residents for public projects; taxing estates worth more than \$3.5 million; and preventing the closure of welfare offices.

Gas prices are projected to rise by 2.5 cents per gallon, and residential electricity bills by an average of 78 cents per month because of the petroleum tax. Hawaiian Electric Co. spokesman Darren Pai said the increase on Oahu would be about 66 cents per month for the typical residential customer.

The bill was originally designed to provide funds for renewable energy programs to help reduce Hawai'i's dependence on foreign oil, but lawmakers are diverting 60 percent of the \$22 million that will be raised, to help balance the state's general fund budget.

The tax will be paid on every barrel of a petroleum product, with the costs likely passed on to consumers. The law calls for the tax to increase from 5 cents to \$1.05 per barrel.

Rep. Clifton Tsuji, D-3rd (S. Hilo, Puna), said the bill provides \$9.2 million in badly needed money for agricultural concerns, including restoration of inspectors.

Those inspectors monitor for invasive species that could wind up costing taxpayers millions.

"The Legislature must override the governor's veto regarding this barrel tax so that the (Department of Agriculture) ... can respond ... and put into effect eradication efforts as new outbreaks are occurring," he said.

Rep. Gene Ward, R-17th (Kalama Valley, Queen's Gate, Hawai'i Kai), who voted against the bill, said the increase at the pump comes at the worst time.

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"Invasive species are very important but the people of Hawai'i are more important," Ward said. "We have people living on the edge, we've got over 300,000 people who are depending on government for food, shelter, medical benefits. And the more you suck out of the economy, the harder you're going to make it for those people to live."

less green energy

Rep. Cynthia Thielen, R-50th (Kailua, Kā ne'ohe), said she objected to funneling 60 percent of the tax away from a fund for Hawai'i's renewable energy programs.

"Only 25 percent goes to green energy, there's a small amount that goes to agriculture and food security programs, but 60 percent goes to the general fund," Thielen said.

But she said she's hopeful that as the economy improves, a larger percentage of the barrel tax will go toward renewable energy programs.

Rep. Angus McElvey, D-19th (Lahaina, Ka'anapali, Kapalua), also voted for the bill with strong reservations, but not for the same reasons as Thielen.

McElvey said he's worried the increase will be a bigger burden for Neighbor Islanders, who already pay more at the gasoline pump than O'ahu residents. The tax translates to about 5 cents a gallon, "but when your constituents are paying over \$4 a gallon of gasoline with the expectation it's going to reach \$5 a gallon, it's very painful," he said.

There were similar arguments on the Senate side.

"This is a small step but an important step. We have to get off oil," said Sen. Gary Hooser, a Democrat representing Kaua'i and Ni'ihau. "It's time that we get serious and start investing in food and energy security."

"It will have immediate negative impacts on everyone's livelihood and standard of living," said Sen. Sam Slom, a Republican representing Diamond Head and Hawai'i Kai. "It is something that we cannot afford to pay."

'tax burden'

Gov. Linda Lingle's office issued a statement saying the measures the Legislature adopted over her veto will discourage job creation and hinder efforts to streamline government.

"The Legislature has chosen to increase the tax burden on our residents and businesses at a time when they can least afford to pay more of their hard-earned money to support a government that is no longer responsive to the needs of the citizens of our state," said Barry Fukunaga, Lingle's chief of staff.

To override Lingle's vetoes, the Democrat-controlled Legislature needed two-thirds majorities in both the House and Senate.

The tax increase passed 19-6 in the Senate and 42-9 in the House.

"While some will characterize this measure as a tax, we believe the real tax is the \$9 billion exported from the state every year to pay for oil

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and gasoline," said Robert Harris, director of the Sierra Club's Hawai'i chapter. "This measure paves the way for a future where we keep our money at home."

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OVERRIDE LIST

The following measures vetoed by the governor were overridden by the Legislature and are now law:

HOUSE BILLS

HB 2421: Establishes various initiatives to promote economic development of local food and energy businesses, to ensure Hawai'i is as energy and food self-sufficient and sustainable as feasible, and help Hawai'i's natural resources and people adapt to climate change. Increases and changes the name of the environmental response tax, and sunsets the tax on June 30, 2015.

HB 1642: Requires that proposals for purchases of

HB 2085: Establishes limit on requests for proposal from health and human services providers for Quest contracts that exceed \$100,000,000 and commence after the term of the agency director expires. Effective upon approval.

HB 2086: Allows clinical laboratory test results to be provided to authorized persons or any covered entity for any purpose permitted under the Health Insurance Portability and Accountability Act of 1996. Effective upon approval.

HB 2866: Taxes the transfer of a taxable estate in Hawai'i by a nonresident who is not a citizen of the United States.

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