

**STATE OF HAWAII—DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM M-2
CERTIFICATE OF RETAIL SALES OF LIQUID FUEL**

Changes You Should Note

Effective January 1, 2016, pursuant to Act 103, SLH 2007, Act 198, SLH 2009, and Act 188, SLH 2012, the reduced rate of the fuel tax for naphtha sold for use in a power-generating facility will sunset. Naphtha will now be taxed at the same tax rate as liquid fuel.

Effective January 1, 2016, Act 103, SLH 2007, Act 209, SLH 2007 and Act 188, SLH 2012, the license tax will revert to 1 cent for each gallon of diesel oil, gasoline or other aviation fuel for use in or used for airplanes. The state tax will revert to 16 cents for each gallon of liquid fuel.

Effective July 1, 2015, County of Maui, Resolution No. 15-54, increases the County of Maui fuel tax rates.

Effective July 1, 2015, Act 185, Session Laws of Hawaii 2015, the environmental response, energy, and food security tax is also imposed on \$0.19 on each one million British thermal units of fossil fuel sold by a distributor of the fossil fuel.

The July 1, 2015 liquefied natural gas (LNG) tax rates are based on the energy content of 128,714 BTU and the compressed natural gas (CNG) tax rates are based on the energy content

of 128,621 BTU. This data is provided by the Alternative Fuels Data Center (AFDC).

General Instructions

Form M-2 is completed by the retail dealer and given to the distributor to report the number of gallons of various types of liquid fuel sold by the retail dealer during the month so that the distributor may compute its evaporation allowance deduction. A distributor is entitled to an evaporation allowance deduction of one gallon for each 99 gallons of fuel sold by a retail dealer in computing the distributor's tax liability for the month under Hawaii Revised Statutes (HRS) §243-10. Pursuant to HRS §243-3, the retail dealer must possess a valid permit in order for the distributor to qualify for the evaporation allowance.

Who Should File

The retail dealer completes page 1 and submits it to the distributor.

The distributor completes page 2 to compute the evaporation allowance deduction, and reports the deduction in Part IV of Form M-20A.

When and Where to File

The distributor must attach Form M-2 received from each retail dealer to its monthly fuel tax return (Form M-20A), and file it with the Hawaii Department of Taxation (Department). If the evaporation allowance deduction claimed on the distributor's Form M-20A is not accompanied by the applicable Form M-2(s), then the deduction will be disallowed.

Where to Get Forms, Instructions, and Publications

Forms, publications, and other documents, such as copies of Tax Information Releases and Administrative Rules issued by the Department, are available on the Department's website at tax.hawaii.gov or you may contact a customer service representative at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

Fax: 808-587-1488

E-mail: Taxpayer.Services@hawaii.gov

Mail: Taxpayer Services Branch
P.O. Box 259
Honolulu, HI 96809-0259

Alternative Fuel Tax Rates

	City & County of Honolulu	County of Maui	County of Hawaii	County of Kauai
Biodiesel	12.3¢	13¢ ^a	4¢	4¢
Compressed Natural Gas	12.2¢ ^c	12.9¢ ^{a,c}	8.4¢ ^c	12.4¢ ^c
Ethanol	4.8¢	6.6¢ ^a	3.7¢	4.9¢
Liquefied Natural Gas	12.2¢ ^b	12.9¢ ^{a,b}	8.4¢ ^b	12.4¢ ^b
LPG	10.6¢	9.9¢ ^a	8.1¢	10.8¢
Methanol	3.7¢	5.1¢ ^a	2.9¢	3.8¢

^a Effective July 1, 2015, pursuant to Maui County Resolution No. 15-54

^b Effective July 1, 2015, LNG calculation is based on the energy content of 128,714 BTU

^c Effective July 1, 2015, CNG calculation is based on the energy content of 128,621 BTU

**Definition of Certain Terms
Used in Chapters 243 and
248, HRS**

“**Alternative fuel**” means methanol, denatured ethanol, and other alcohols; mixtures containing 85 percent or more by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; natural gas; liquefied petroleum gas; hydrogen; coal-derived liquid fuels; biodiesel; mixtures containing 20 percent or more by volume of biodiesel with diesel or other fuels; fuels (other than alcohol) derived from biological materials; and any other fuel that is substantially not a petroleum product and that the governor determines would yield a substantial energy security benefits or substantial environmental benefits.

“**Small Boats**” means all vessels and other water craft except those operated in overseas transportation beyond the State, and ocean-going tugs and dredges.

Specific Instructions

**Page 1 — Completed by the
Retail Dealer**

Lines 1, 2, 4, 5 — Enter in columns (a) through (d) and columns (f) and (g) the number of gallons of each type of liquid fuel sold for use during the month. Add the amounts reported in columns (b) through (d) and report the total in column (e) of each line. See the definitions of alternative fuel and small boats on this page.

Line 3 — Enter in columns (a) through (d) and columns (f) and (g) the number

of gallons of naphtha sold during the month. Add the amounts reported in columns (b) through (d) and report the total in column (e).

Line 6 — Add the amounts reported on lines 1 through 5 and enter the result in columns (a), (e), (f), and (g).

Signature

Form M-2 must be signed and dated by a person who is authorized to sign Form M-2 as the retail dealer or its authorized agent or representative.

**Page 2 — Computation of the
Evaporation Allowance De-
duction (To be completed by
the distributor.)**

Use the line-by-line instructions to calculate the evaporation deduction allowance by fuel type and usage (on highway or off highway) in each county based on the number of gallons reported in columns (a), (e), (f) and (g) on Page 1. See the definitions of alternative fuel and small boats on this page.

Line 7 — Add the number of gallons reported on lines 2b and 5b for each county that was sold for use on public highways and report the total in columns (a) through (d). Do not include diesel or gasoline for use in small boats.

Line 11 — Enter in columns (a) through (d) the number of gallons of alternative fuel reported on line 4 for use on public highways during the month. If the retail dealer reported more than one type of alternative fuel, attach a separate schedule for each type of alternative fuel showing the information for lines 11 through 14.

Line 13 — Enter the tax rate for the alternative fuel sold to the retail dealer. See the alternative fuel tax rates table on page 1.

Line 14 — Multiply line 12 by line 13. If you have multiple types of alternative fuel, add the amounts from all your schedules and report the grand total.

Line 15 — Add the number of gallons reported on lines 1 and 2b for each county that was sold for off highway use and report the total in columns (a) through (d). Do not include diesel oil for use in small boats.

Line 18 — Enter in columns (a) through (d) the number of gallons of naphtha reported on line 3 that was sold for use off highway.

Line 22 — Enter in columns (a) through (d) the number of gallons of diesel fuel reported on line 2a for use in small boats.

Line 25 — Enter in columns (a) through (d) the number of gallons of gasoline reported on line 5a for use in small boats.

Line 29 — Add the amounts reported on lines 10, 14, 17, 21, 24, and 28 for each county and enter the result in columns (a) through (d).