

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

**Changes You Should Note**

Effective July 1, 2019, Maui County Resolution No. 19-100, created a new fuel tax category of Biodiesel Blend containing less than 100% of Biodiesel.

Effective July 1, 2020, Maui County Resolution No. 20-82, increased the liquid fuel and diesel oil tax rates.

**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 section 243-10, Hawaii Revised Statutes (HRS). Pursuant to section 243-3, HRS, 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](http://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

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

**Definition of Certain Terms Used in Chapter 243, 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.

**"Power-generating facility"** means any electricity-generating facility that requires a permit issued under the federal Clean Air Act (42 U.S.C. 7401 through 7671q), the Hawaii air pollution control law (chapter 342B, HRS), or both.

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

**Alternative Fuel Tax Rates**

	City & County of Honolulu	County of Maui	County of Hawaii	County of Kauai
Biodiesel	12.3¢	4¢	4¢	4¢
Compressed Natural Gas	12.2¢ <sup>b</sup>	15.9¢ <sup>b,e</sup>	15.4¢ <sup>b,c</sup>	12.4¢ <sup>b</sup>
Ethanol	4.8¢	13.9¢ <sup>e</sup>	5.7¢ <sup>c</sup>	4.9¢
Liquefied Natural Gas	12.2¢ <sup>a</sup>	15.9¢ <sup>a,e</sup>	15.4¢ <sup>a,c</sup>	12.4¢ <sup>a</sup>
LPG	10.6¢	16.7¢ <sup>e</sup>	12.8¢ <sup>c</sup>	10.8¢
Methanol	3.7¢	13.4¢ <sup>e</sup>	4.4¢ <sup>c</sup>	3.8¢
Biodiesel Blend	0.0¢	9.9¢ <sup>d</sup>	0.0¢	0.0¢

<sup>a</sup> Effective July 1, 2015, LNG calculation is based on the energy content of 128,714 BTU.

<sup>b</sup> Effective July 1, 2015, CNG calculation is based on the energy content of 128,621 BTU.

<sup>c</sup> Effective July 1, 2019, Hawaii County Resolution No. 212-17 (Draft 2) increased the tax on liquid fuel and diesel oil.

<sup>d</sup> Effective July 1, 2019, Biodiesel Blend is based on the energy content of 127,210 BTU and created based upon Maui County Resolution No. 19-100.

<sup>e</sup> Effective July 1, 2020, Maui County Resolution No. 20-82 increased the tax on liquid fuel and diesel oil.

## 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 page 1.

**Line 3** — Enter in columns (a) through (d) and columns (f) and (g) the number of gallons of naphtha sold for use in a power-generating facility during the month. Add the amounts reported in columns (b) through (d) and report the total in column (e). See the definition of power-generating facility on page 1.

**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 Deduction (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 page 1.

**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 in a power-generating facility.

**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).