



TESTIMONY BY:
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STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 1, 2023
2:30 P.M.
State Capitol, Teleconference

H.B. 74 HD1
RELATING TO THE GENERAL EXCISE TAX
House Committee on Finance

The Department of Transportation (DOT) **supports** this measure that establishes a tax exemption for Aircraft Maintenance providers who install a helicopter noise-canceling technology system on helicopters owned by the taxpayers and operated primarily within the State during the taxable year.

By modernizing the current tax statute to include such exception to the construction of a facility where the service and maintenance of helicopters where no less than 75% are equipped with quiet technology these operators will be included with other aviation operations, all contributing to stakeholders in the state's economy, while supporting quieter operating aircraft in and around our communities.

Reducing costs to providers of service and maintenance through this tax exemption,

Consumer cost will be less allowing local providers to compete with mainland and Canadian service and maintenance providers for the helicopter heavy maintenance checks, thus providing more jobs to local taxpayers.

By application of this tax exemption to providers of servicing and maintenance of helicopters where 75% of the said helicopters are equipped with quiet technology, this encourages installation.

Under HRS 236 24.9, this tax exemption already applies to aircraft with two jet engines - and by applying the tax credit local helicopter maintenance jobs will be supported.

Thank you for the opportunity to provide testimony.

JOSH GREEN M.D.
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LT. GOVERNOR



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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 74, H.D.1, Relating to the General Excise Tax

BEFORE THE:

House Committee on Finance

DATE: Wednesday, March 1, 2023

TIME: 2:30 p.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 74, H.D.1, for your consideration.

H.B. 74, H.D.1, amends section 237-24.9, Hawaii Revised Statutes (HRS), which provides a general excise tax exemption for amounts received from the servicing and maintenance of aircraft in a service and maintenance facility, or from the construction of a facility that services and maintains aircraft. Specifically, the bill: (1) amends the definition of "aircraft" to include helicopters; (2) amends the definition of "aircraft service and maintenance facilities" to include facilities that service and maintain helicopters in which no less than 75 percent of the helicopters being serviced or maintained are equipped with "quiet technology"; (3) defines the term "quiet technology" as "the use of design, technologies, and structure modifications to rotocraft to reduce or redirect the sound generated by the engine exhaust, tail, or the main rotor, and that reduces the craft's total overall noise level by at least ____ decibels."

The bill has a defective effective date of June 30, 3000, and shall be repealed on December 31, 2028.

The Department notes that it lacks the expertise to make determinations concerning craft noise levels and to verify facility adherence to the proposed parameters for exemption eligibility.

Further, if the measure is amended with an appropriate effective date, the

Department requests that the effective date is amended to no earlier than January 1, 2024.

Assuming an effective date of January 1, 2024, the Department estimates a revenue loss to the general fund as follows (\$ millions):

FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
-0.1	-0.3	-0.3	-0.3	-0.3	-0.2

Thank you for the opportunity to provide comments on this measure.



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January 31, 2023

Honorable Daniel Holt,
House Economic Development Committee, Chairman
415 South Beretania St., Room 425
Honolulu, HI 96813

RE: HB 74 – Support if Amended

Dear Chairman Holt:

The Aircraft Owners and Pilots Association (AOPA) is the largest general aviation membership organization in the United States, representing thousands of pilots and aircraft owners in Hawaii, and are pleased to support HB 74 if amended.

Aircraft maintenance, no matter the type, is expensive and can deter aircraft owners and operators from making essential aircraft repairs. Additionally, the cost of finding suitable mechanics to work on certain aircraft can also be costly – especially in Hawaii where aircraft mechanics are scarce. Providing a meaningful tax incentive to ensure our aircraft are operating safely should be a top concern for policymakers and we applaud your efforts.

AOPA supports HB 74 in concept but would respectfully request that single-engine airplanes also be included in your bill. Ensuring that private single-engine airplanes have viable opportunities to receive maintenance on their aircraft is essential to preserving the safety of flight and reducing engine failures and accidents. Jet aircraft are often capable of flying great distances to locations where those aircraft can receive service and maintenance. Single-engine propellers, or jets, don't have the same range or ability to reach destinations outside of the state.

We hope you and your committee will look favorably on this measure as amended and I look forward to working with you and your staff to address our suggested amendments. Please do not hesitate to contact me for any additional information or suggestions.

Respectfully,

JARED YOSHIKI
Western Pacific Regional Manager

CC: Members, House Economic Development Committee
Honorable Chris Todd, Chair – House Transportation Committee



House Committee on Finance
March 1, 2023

Re: Support for HB 74, HD1 relating to the general excise tax

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the committee!

We are writing to support HB 74, HD1, relating to general excise tax. This measure establishes a five-year general excise tax exemption for servicing and maintaining helicopters in an aircraft service and maintenance facility or from the construction of a facility that services and maintains helicopters where at least 75 percent of the helicopters serviced and maintained annually in the facility are equipped with quiet technology.

This measure seeks to provide tax parity for smaller aviation operators and support the aviation maintenance workforce in Hawaii. It also seeks to promote and reduce aviation noise by applying the maintenance tax credit only to those aircraft using quiet technology. Our state's remote geography requires a reliance on air transportation of many types, including medical operations, air tours and disaster relief. By modernizing the current tax statute to include the maintenance of aircraft with quiet technology these operators will be included with other aviation operations, all contributing stakeholders in the state's economy.

As important as noise reduction and workforce development are in our community, we would be remiss if we did not emphasize that Blue Hawaiian's foremost commitment is to safety.

We urge the legislature to increase the aviation insurance coverage minimums which is another way to encourage the adoption of safety measures. Blue Hawaiian aircraft are equipped with technologies and equipment like Helicopter Terrain Awareness and Warning Systems (HTAWS), automatic dependent surveillance-broadcast (ADS-B), aircraft floats and upgraded with the newest GARMIN glass-cockpit avionics to exceed the federal regulatory requirements for helicopter air tour safety. To further that commitment, Blue Hawaiian Helicopters is the only air tour operator in Hawaii to be a member of the Tour Operators Program of Safety, as well as to also have a Voluntary FAA Safety Management System (SMS) implementation program and an accepted and approved Voluntary FAA Aviation Safety Action Program (ASAP).

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

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SUBJECT: GENERAL EXCISE, Exemption for Helicopter Repair and Maintenance

BILL NUMBER: HB 74 HD 1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Establishes a five-year general excise tax exemption beginning 1/1/24 for amounts received from the servicing and maintenance of helicopters in an aircraft service and maintenance facility or from the construction of a facility that services and maintains helicopters where at least 75 percent of the helicopters serviced and maintained annually in the facility are equipped with quiet technology. Sunsets 12/31/2028.

The bill seeks to exempt helicopter repair and maintenance from the GET. However, the bill as drafted perpetuates inequity because propeller aircraft would not be so exempted.

SYNOPSIS: Amends section 237-24.9, HRS, by amending the definition “aircraft service and maintenance facility” to include a facility that “services and maintains helicopters and in which no less than seventy-five per cent of the helicopters serviced and maintained annually are equipped with quiet technology.”

Adds a definition of “quiet technology” as “the use of design, technologies, and structure modifications to rotorcraft to reduce or redirect the sound generated by the engine exhaust, tail, or the main rotor, and that reduces the craft’s total overall noise level by at least _____ decibels.”

EFFECTIVE DATE: July 1, 3000; to be repealed on December 31, 2028.

STAFF COMMENTS: Back in 1997, Continental Airlines was considering building a \$24 million jet maintenance hangar close to the Honolulu International Airport. To lure the project away from Guam and Saipan, our lawmakers at the time offered incentives, including a GET exemption. The exemption applied to servicing and maintenance of aircraft, or from the construction of an aircraft service and maintenance facility. But “aircraft,” as used in the exemption statute, was and still is restricted to aircraft with two or more jet engines. Small carriers with propeller planes don’t qualify, raising some questions about whether this exemption helps the industry fairly. Is it simply a reflection of the economic realities – namely that the big planes can fly elsewhere to have the maintenance work done, while smaller aircraft are effectively trapped here? A better approach may be to have the exemption apply (or be repealed) across the board; the current structure leaves the impression that big business skates by where small business is left behind.

In addition, the requirement that 75% of the helicopters serviced and maintained annually be equipped with quiet technology is problematic. The GET is a transaction-based tax, so the facts necessary to apply it need to be known when the transaction happens. Whether the 75% test is met is necessarily unknown until the close of the taxable year.

Re: HB 74 HD1
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Digested: