

JAN 20 2023

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# A BILL FOR AN ACT

RELATING TO AN AIRCRAFT SERVICE AND MAINTENANCE TAX CREDIT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the aviation  
2 industry plays many significant roles in the State, including  
3 without limitation, the first responders flown by air to remote  
4 areas in a disaster, the effective use of air medical  
5 transports, ocean and forest search and rescue operations  
6 conducted by helicopter, and electric utility operators that  
7 perform surveys and maintain powerlines.

8           The State's general aviation fleet ranges from small,  
9 amateur-built aircraft to large cargo planes with uses ranging  
10 from personal aircraft by recreational pilots to business-owned  
11 aircraft used to transport people, cargo, or both, for business  
12 purposes, as well as specialized activities such as air medical  
13 services, aerial applications in agriculture, forestry, and  
14 other industries, and flight training.

15           According to the "Contribution of General Aviation to the  
16 U.S. Economy in 2018" report, general aviation supports four  
17 thousand five hundred jobs in the State, resulting in \$268



1 million in labor income and contributing \$879 million to the  
2 State's total economic output annually. According to the  
3 Federal Aviation Administration, the State is home to thirteen  
4 aviation repair stations, three Federal Aviation Administration-  
5 approved pilot schools, 1,255 student pilots, and eight hundred  
6 two flight instructors.

7 The legislature recognizes the importance of supporting and  
8 enhancing the State's ability to support an aviation maintenance  
9 and repair workforce and retain the economic activity of  
10 aviation servicing with the enactment of Act 107, Session Laws  
11 of Hawaii 1997, which provided a general excise tax exemption  
12 that applies exclusively to jet aircraft.

13 Therefore, the State would benefit from supporting and  
14 enhancing the State's aviation maintenance and repair workforce  
15 and retaining the economic activity of aviation servicing for  
16 the general aviation industry.

17 Accordingly, the purpose of this Act is to establish a  
18 five-year aircraft service and maintenance income tax credit  
19 beginning January 1, 2024, which is equal to the amount of  
20 general excises taxes paid for qualified expenses from aircraft  
21 service and maintenance during the prior taxable year.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to part I to be appropriately  
3 designated and to read as follows:

4 "§235- Aircraft service and maintenance tax credit. (a)  
5 There shall be allowed to each qualified taxpayer subject to the  
6 tax imposed under this chapter, an aircraft service and  
7 maintenance income tax credit that shall be deductible from the  
8 taxpayer's net income tax liability and shall, if any, imposed  
9 by this chapter for the taxable year in which the credit is  
10 properly claimed.

11 (b) The amount of the tax credit shall be equal to the  
12 amount of general excise taxes paid on the qualified expenses of  
13 the taxpayer incurred in the taxable year; provided that all  
14 aircraft service and maintenance shall be completed at a  
15 qualifying aircraft service and maintenance facility.

16 (c) The director of taxation:

17 (1) Shall prepare forms as may be necessary to claim a  
18 credit under this section;

19 (2) May require the taxpayer to furnish information to  
20 ascertain the validity of the claim for the tax credit  
21 under this section; and



1       (3) May adopt rules pursuant to chapter 91 necessary to  
2       effectuate the purposes of this section.

3       (d) All of the provisions relating to assessments and  
4       refunds under this chapter and under section 231-23(c)(1) shall  
5       apply to the tax credit under this section.

6       (e) All claims for tax credits under this section,  
7       including any amended claims, shall be filed on or before the  
8       end of the twelfth month following the close of the taxable year  
9       for which the credit may be claimed. Failure to comply with the  
10       foregoing provision shall constitute a waiver of the right to  
11       claim the credit.

12       (f) As used in this section:

13       "Aircraft" means a device that is used or intended to be  
14       used for flight in the air and not more than 12,000 pounds  
15       maximum certificated take-off weight.

16       "Aircraft service and maintenance" means all scheduled and  
17       unscheduled tasks performed within an aircraft service and  
18       maintenance facility for the inspection, modification,  
19       maintenance, and repair of aircraft and related components  
20       including engines, hydraulic and electrical systems, and all  
21       other components that are an integral part of an aircraft.



1       "Aircraft service and maintenance facility" means a  
2 facility for aircraft service and maintenance that is not less  
3 than thirty thousand square feet in area, and which may include  
4 ancillary space that is integral to the facility, such as parts  
5 and inventory warehouse space, tool rooms, and related  
6 administrative and employee space.

7       "Maintenance" means the upkeep of aircraft engines,  
8 hydraulic and electrical systems, and all other components that  
9 are an integral part of an aircraft, but does not include  
10 refueling, janitorial services or cleaning, restocking of  
11 aircraft and passenger supplies, or loading or unloading of  
12 cargo and passenger baggage.

13       "Qualified expenses" means costs that are necessary and  
14 directly incurred by the taxpayer for aircraft service and  
15 maintenance performed at an aircraft service and maintenance  
16 facility within the State that are subject to the general excise  
17 tax under chapter 237."

18       SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2023, and shall be  
3 repealed on December 31, 2028.

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INTRODUCED BY: \_\_\_\_\_

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by a series of loops and a long horizontal stroke extending to the right.

# S.B. NO. 1148

**Report Title:**

Tax Credit; Aircraft Service and Maintenance; General Excise Taxes Paid

**Description:**

Establishes a five-year income tax credit for general excises taxes paid on qualified aircraft service and maintenance expenses of the qualified taxpayer. Sunsets 12/31/2028.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

