
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, helicopters used in emergency services
7 for state or federal disaster, and electric utility operators
8 that perform surveys and maintain powerlines.

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



1 According to the "Contribution of General Aviation to the
2 U.S. Economy in 2018" report, general aviation supports four
3 thousand five hundred jobs in the State, resulting in
4 \$268,000,000 in labor income and contributing \$879,000,000 to
5 the State's total economic output annually. According to the
6 Federal Aviation Administration, the State is home to thirteen
7 aviation repair stations, three Federal Aviation Administration-
8 approved pilot schools, 1,255 student pilots, and eight hundred
9 two flight instructors.

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

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

20 Accordingly, the purpose of this Act is to establish a
21 five-year aircraft service and maintenance income tax credit



1 beginning January 1, 2025, which is equal to the amount of
2 general excises taxes paid for qualified gross income from
3 aircraft service and maintenance during the prior taxable year.

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

7 "§235- Aircraft service and maintenance tax credit. (a)

8 There shall be allowed to each qualified taxpayer subject to the
9 tax imposed under this chapter, an aircraft service and
10 maintenance income tax credit that shall be deductible from the
11 taxpayer's net income tax liability and shall, if any, imposed
12 by this chapter for the taxable year in which the credit is
13 properly claimed.

14 (b) The amount of the tax credit shall be equal to the
15 amount of general excise taxes paid on the qualified gross
16 income of a qualified aircraft service and maintenance provider
17 received in the taxable year; provided that the aircraft service
18 and maintenance shall be completed at a qualifying aircraft
19 service and maintenance facility.

20 (c) The director of taxation:



- 1 (1) Shall prepare forms as may be necessary to claim a
2 credit under this section;
- 3 (2) May require the taxpayer to furnish information to
4 ascertain the validity of the claim for the tax credit
5 under this section; and
- 6 (3) May adopt rules pursuant to chapter 91 necessary to
7 effectuate the purposes of this section.
- 8 (d) All of the provisions relating to assessments and
9 refunds under this chapter and under section 231-23(c)(1) shall
10 apply to the tax credit under this section.
- 11 (e) All claims for tax credits under this section,
12 including any amended claims, shall be filed on or before the
13 end of the twelfth month following the close of the taxable year
14 for which the credit may be claimed. Failure to comply with the
15 foregoing provision shall constitute a waiver of the right to
16 claim the credit.
- 17 (f) As used in this section:
- 18 "Aircraft" means a device that is used or intended to be
19 used for flight in the air and not more than twelve thousand
20 pounds maximum certificated take-off weight.



1 "Aircraft service and maintenance" means all scheduled and
2 unscheduled tasks performed within an aircraft service and
3 maintenance facility for the inspection, modification,
4 maintenance, and repair of aircraft and related components
5 including engines, hydraulic and electrical systems, and all
6 other components that are an integral part of an aircraft.

7 "Aircraft service and maintenance facility" means a
8 facility for aircraft service and maintenance that is not less
9 than thirty thousand square feet in area and may include
10 ancillary space that is integral to the facility, such as parts
11 and inventory warehouse space, tool rooms, and related
12 administrative and employee space.

13 "Maintenance" means the upkeep of aircraft engines,
14 hydraulic and electrical systems, and all other components that
15 are an integral part of an aircraft, but does not include
16 refueling, janitorial services or cleaning, restocking of
17 aircraft and passenger supplies, or loading or unloading of
18 cargo and passenger baggage.

19 "Qualified gross income" means gross income received as
20 compensation for aircraft service and maintenance as part of
21 wildfire relief efforts regarding the August 2023 Maui



1 wildfires, performed at an aircraft service and maintenance
2 facility within the State that is subject to the general excise
3 tax under chapter 237.

4 "Qualified taxpayer" means an aircraft service and
5 maintenance provider who performs and provides aircraft service
6 and maintenance at an aircraft service and maintenance facility.

7 "Wildfire relief efforts" refers to services performed via
8 aircraft to benefit any individual or business located in the
9 disaster area on Maui as designated by the federal Emergency
10 Management Agency."

11 SECTION 3. New statutory material is underscored.

12 SECTION 4. This Act shall take effect of January 1, 2050.



Report Title:

Tax Credit; Aircraft Service and Maintenance; General Excise
Taxes Paid; Qualified Gross Income

Description:

Establishes a five-year income tax credit for general excises
taxes paid on qualified aircraft service and maintenance gross
income of the qualified taxpayer. Takes effect 1/1/2050. (SD1)

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