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STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

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

**BEFORE THE:**

House Committee on Transportation

**DATE:** Tuesday, January 31, 2023

**TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 312

Chair Todd, Vice-Chair Kila, and Members of the Committee:

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

H.B. 74 amends the 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. The bill takes effect on January 1, 2024 and shall be repealed on December 31, 2028.

The definition of "aircraft" is amended to include helicopters. The definition of "aircraft service and maintenance facilities" is amended 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." The term "quiet technology" is defined 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 Department lacks the expertise to make determinations concerning craft noise levels and to verify facility adherence to the proposed parameters for exemption eligibility.

The Department further notes that, due to the number of bills with tax law

Department of Taxation Testimony

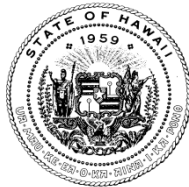
H.B. 74

January 29, 2023

Page 2 of 2

changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session by January 1, 2024. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

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



**LATE**

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

January 31, 2023  
10:00 A.M.  
State Capitol, Teleconference

**HB74**  
**RELATING TO GENERAL EXCISE TAX**  
House Committee on Transportation

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The Department of Transportation (DOT) **supports** H.B. 74, which 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.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Helicopter Repair and Maintenance

BILL NUMBER: HB 74

INTRODUCED BY: TODD, HASHIMOTO, MARTEN, ONISHI

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 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.”

EFFECTIVE DATE: January 1, 2024; 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:

1. 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.
2. The word “rotorcrafft” in the definition of “quiet technology” appears to be misspelled.

Digested: 1/28/2023



House Committee on Transportation  
10:00 am, January 31, 2023

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

Aloha Chair Todd, Vice Chair Kila, and members of the committee!

We are writing to support HB 74, 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.