

STAND. COM. REP. NO. **3278**

Honolulu, Hawaii

MAR 30 2026

RE: H.B. No. 1688
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 1688, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR AIRCRAFT MAINTENANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to provide a general excise tax exemption for the sale of material, parts, or tools used for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility.

Your Committee received testimony in support of this measure from Alaska Airlines and Hawaiian Airlines, Kohala Coast Resort Association, and Chamber of Commerce Hawaii.

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that recently, the Hawaii Intermediate Court of Appeals issued a decision interpreting existing statute that created a loophole that resulted in incentivizing the



purchase of aircraft parts outside of the State, even when qualified local vendors are available. Closing this loophole is necessary to restore fairness and consistency in the State's tax policy. This measure restores parity between local and out-of-state purchases and aligns the general excise tax with the complementary use tax framework.

Your Committee has amended this measure by making it effective on January 1, 2027.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1688, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1688, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,



LORRAINE R. INOUE, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

Record of Votes
Committee on Transportation
TRS

Bill / Resolution No.:* HB 1688, HD1	Committee Referral: TRS, WAM	Date: 03/24/26		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
INOUYE, Lorraine R. (C)	✓			
ELEFANTE, Brandon J.C. (VC)	✓			
KANUHA, Dru Mamo	✓			
LEE, Chris	✓			
DECORTE, Samantha	✓			
TOTAL	5	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes