

STAND. COM. REP. NO. 1332-26

Honolulu, Hawaii

MAR 24 , 2026

RE: S.B. No. 2399
S.D. 2
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Transportation, to which was referred S.B. No. 2399, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose 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 the Kohala Coast Resort Association; Alaska Airlines and Hawaiian Airlines; and Chamber of Commerce Hawaii. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the aircraft maintenance industry is critical to Hawaii's economy and transportation infrastructure. Although existing law exempts amounts received from aircraft servicing and maintenance and from the construction of an aircraft service and maintenance facility, recent judicial interpretation has clarified that the sale of materials, parts, and tools used for those purposes is not similarly exempt under the general

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excise tax law. This measure extends the general excise tax exemption to the sale of material, parts, or tools purchased by a licensed aircraft carrier for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility, further supporting local aircraft maintenance jobs and facilities and improving the State's competitiveness with other jurisdictions.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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 S.B. No. 2399, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2399, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

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



DARIUS KILA, Chair



