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STATE OF HAWAI'I  
**DEPARTMENT OF TAXATION**

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2399, Relating to a General Excise Tax Exemption for Aircraft Maintenance

**BEFORE THE:**

Senate Committee on Transportation

**DATE:** Tuesday, February 3, 2026

**TIME:** 3:00 p.m.

**LOCATION:** State Capitol, Room 229

Chair Inouye, Vice-Chair Elefante, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2399 for your consideration.

S.B. 2399 amends section 237-24.9, Hawaii Revised Statutes, to expand the general excise tax exemption for aircraft service and maintenance facilities to include purchases by a licensed aircraft carrier of material, parts, or services when purchased for aircraft service and maintenance, or for the construction of an aircraft service and maintenance facility. The bill is effective July 1, 2026.

DOTAX recommends that the bill be amended to specify which government agencies or authorities a "licensed aircraft carrier" must be licensed by to qualify for the exemption.

DOTAX requests the effective date be amended to January 1, 2027, to allow sufficient time for form and instruction changes, and notification to taxpayers.

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



Testimony of  
**ALASKA AIRLINES and HAWAIIAN AIRLINES**

Before the Senate Committee on  
**Transportation**

**Tuesday, February 3, 2026**  
**3:00 P.M.**  
**Hawai'i State Capitol, Room 229**

In consideration of  
**SENATE BILL 2399**

**RELATING TO GENERAL EXCISE TAX EXEMPTION FOR AIRCRAFT MAINTENANCE**

The Honorable Lorraine R. Inouye, Chair  
The Honorable Brandon J.C. Elefante, Vice Chair  
Members of the Committee on Transportation

**Re: Testimony in Support of S.B. 2399, Relating To General Excise Tax Exemption For Aircraft Maintenance**

Chair Inouye, Vice-Chair Elefante and members of the committee,

On behalf of Alaska Airlines and Hawaiian Airlines, we respectfully submit testimony **in strong support** of S.B. 2399, which clarifies the General Excise Tax treatment of aircraft parts, materials, and tools used for aircraft servicing and maintenance in Hawai'i.

In November 2025, the Hawai'i Intermediate Court of Appeals issued a decision interpreting existing statute to subject locally purchased aircraft parts to the General Excise Tax, despite a long-standing exemption in HRS section 237-24.9 intended to support aircraft servicing and maintenance. While the court acknowledged that this interpretation creates a tax disparity that disadvantages local business and employers, it also made clear that it believes that resolving this issue is a matter for the Legislature. S.B. 2399 appropriately responds to that directive by providing necessary statutory clarification.

Under the current interpretation of Hawai'i tax law, aircraft parts purchased outside the State and imported into Hawai'i are not subject to the use tax, while identical parts purchased in, or delivered to, Hawai'i are subject to the General Excise Tax. This creates a clear loophole that allows out-of-state purchases to receive more favorable tax treatment than local purchases. That outcome is inconsistent with the original purpose of Hawai'i's

use tax, which was designed to prevent precisely this type of disparity and to ensure tax neutrality between in-state and out-of-state transactions.

This loophole creates an unintended incentive to purchase aircraft parts outside Hawai‘i, even when qualified local vendors are available. Over time, it distorts purchasing decisions, places Hawai‘i-based suppliers at a competitive disadvantage, and undermines the State’s interest in maintaining a strong and resilient aviation ecosystem. Closing this loophole is necessary to restore fairness and consistency in the State’s tax policy, and to support the state’s goals of supporting Hawai‘i’s economic and employment health.

S.B. 2399 does not create a new tax exemption. Instead, it clarifies and reaffirms existing legislative intent by explicitly stating that aircraft parts, materials, and tools used for aircraft servicing and maintenance, or for the construction of aircraft service and maintenance facilities, are exempt from the General Excise Tax when purchased by air carriers. This clarification restores parity between local and out-of-state purchases and aligns the General Excise Tax with the complementary use tax framework.

By restoring consistent tax treatment, S.B. 2399 ensures that Hawai‘i-based purchasers and suppliers are not disadvantaged solely due to tax policy. It promotes fair competition, supports local businesses and jobs, and provides predictability for airlines and other qualifying aviation entities operating in Hawai‘i. It also helps Hawai‘i remain competitive with other states that explicitly exempt aircraft parts from sales or excise taxes to attract and retain aircraft maintenance activity.

As Hawai‘i’s hometown carrier, Hawaiian Airlines operates in a cost-sensitive and highly regulated aviation environment where predictability and fairness in tax policy matter. Alaska Airlines and Hawaiian Airlines believe that S.B. 2399 closes an unintended loophole, restores tax parity, and ensures that Hawai‘i’s tax policy supports safe, reliable air service and a strong local aviation industry.

For these reasons, we respectfully urge the Committee to **pass S.B. 2399**.

Mahalo for the opportunity to provide testimony.

# TAX FOUNDATION OF HAWAII

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735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: GENERAL EXCISE, Extend Aircraft Service and Maintenance Exemption to Parts Sales

BILL NUMBER: SB 2399

INTRODUCED BY: INOUYE

EXECUTIVE SUMMARY: Provides 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.

SYNOPSIS: Amends HRS section 237-24.9(a) to specify a general excise tax exemption for the sale of material, parts, or tools to a licensed aircraft carrier if purchased for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility.

EFFECTIVE DATE: July 1, 2026.

STAFF COMMENTS: The proposed GET exemption is intended to address the disparity of intent between the general excise tax and use tax provisions for aircraft materials and parts used for aircraft service and maintenance.

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, which included this GET exemption (1997 Hawaii Session Laws Act 107, Sec 3). The exemption applied to servicing and maintenance of aircraft, or from the construction of an aircraft service and maintenance facility. “Aircraft,” as used in the exemption statute, was and still is restricted to aircraft with two or more jet engines.

HRS sec 237-24.9, enacted by 1997 Session Law Act 107 Sec 3, concurrently enacted a use tax exemption for material, parts, or tools imported or purchased by a person licensed under chapter 237 which are used for aircraft service and maintenance, or the construction of an aircraft service and maintenance facility, as those terms are defined in section 237. This concurrent enactment of a use tax exemption was consistent with the Legislators’ intent at the time to lure the building and operation of aircraft maintenance hangers in Honolulu.

Since the 1997 enactment of the HRS sec 237-24.9 general excise and HRS sec 238-1(8) use tax exemptions, sales tax nexus has expanded the reach of taxability and has blurred the operation and intent of these exemptions. This disparity was addressed by the Hawaii Intermediate Court of Appeals in a November 2025 decision.

This bill would clarify the 1997 Legislature’s intent to support and encourage aircraft maintenance and servicing activity in Hawaii.

Should this bill move forward, we suggest that a definition for “licensed aircraft carrier” be added.

Re: SB 2399

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Disclosure: Tom Yamachika, President of the Foundation, represents Hawaiian Airlines in ongoing litigation that led to the Intermediate Court of Appeals opinion referred to above. Mr. Yamachika did not prepare this testimony for the Foundation.

Digested: 1/30/2026



## Testimony to the Senate Committee on Transportation

Senator Lorraine R. Inouye, Chair

Senator Brandon J.C. Elefante, Vice Chair

**Wednesday, February 3, 2026, at 3:00PM**  
**Conference Room 325 & Videoconference**

### RE: SB2399 Relating to a General Excise Tax Exemption for Aircraft Maintenance

Aloha e Chair Inouye, Vice Chair Elefante, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 2399 (SB2399), which provides 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.

SB2399 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Small Business. This bill promotes the amendment of the tax disparity for general excise tax exemption between those selling aircraft parts out of state and those selling parts in state. As it stands, under the current 2025 Hawai'i Intermediate Court of Appeals decision, parts sourced from suppliers out of state are given more favorable tax treatment than those selling those identical parts in state. Such interpretation stifles local business growth and diversification, by encouraging airlines--one of Hawaii's major economic drivers--to make these parts purchases out of state. Exclusion of local suppliers works in opposition to the intent of its original legislation, which was to allow for improved economic feasibility of aircraft maintenance and servicing in Hawaii.

This bill does not create a new tax exemption. Rather, it makes explicit the inclusion of necessary parts to conduct GET exempt aircraft maintenance and servicing. This inclusion will lend towards a more equitable environment for local aircraft parts suppliers, allowing local business to more fairly compete with national suppliers.

For these reasons, the Chamber respectfully asks to pass Senate Bill 2399. Thank you for the opportunity to testify.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.



February 2, 2026

Senator Lorraine Inouye, Chair  
Senator Brandon Elefante, Vice Chair  
Senate Committee on Transportation  
Hawaii State Legislature

### **Support for SB2399 – Aircraft Maintenance GET Clarification**

Dear Chair Inouye, Vice Chair Elefante and Members of the Senate Committee on Transportation,

On behalf of the Kohala Coast Resort Association, thank you for the opportunity to share our **support of SB2399** which clarifies the General Excise Tax treatment of aircraft parts, materials, and tools used for aircraft servicing and maintenance in Hawai‘i.

This measure is a necessary response to a 2025 Hawai‘i Intermediate Court of Appeals decision that unintentionally created a tax disparity between aircraft parts purchased locally and those purchased out of state. Under the current interpretation, identical parts purchased outside Hawai‘i receive more favorable tax treatment than those purchased from Hawai‘i-based vendors.

This outcome undermines local businesses, distorts purchasing decisions, and conflicts with the original intent of Hawai‘i’s tax framework, which was designed to maintain parity between in-state and out-of-state transactions.

SB2399 does **not** create a new tax exemption. Instead, it clarifies and reaffirms long-standing legislative intent by restoring consistent tax treatment for aircraft parts used in maintenance and servicing. This clarification supports local suppliers, strengthens Hawai‘i’s aviation maintenance ecosystem, and provides predictability for companies operating in the State.

Aviation is a cost-sensitive and safety-critical industry. Fair and consistent tax policy plays an important role in ensuring reliable air service, supporting local jobs, and keeping Hawai‘i competitive with other states that explicitly exempt aircraft maintenance materials from similar taxes.

For these reasons, I respectfully urge the Committee to pass SB2399.

Mahalo for the opportunity to submit testimony.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho".

Stephanie Donoho, Administrative Director  
Kohala Coast Resort Association

**SB-2399**

Submitted on: 1/29/2026 8:41:17 AM  
Testimony for TRS on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Megan Blazak	Individual	Support	Written Testimony Only

Comments:

Support