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# A BILL FOR AN ACT

RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR AIRCRAFT  
MAINTENANCE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that many states,  
2 including Arizona, California, Colorado, Connecticut, Florida,  
3 Georgia, Iowa, Kansas, Massachusetts, Minnesota, New York, North  
4 Carolina, Ohio, Pennsylvania, Texas, and Wisconsin, explicitly  
5 exempt aircraft parts from their sales tax if sold to a  
6 federally licensed aircraft carrier. In Hawaii, there is an  
7 exemption in the general excise tax law for aircraft servicing  
8 and maintenance. However, the Hawaii Intermediate Court of  
9 Appeals has recently decided that the exemption language does  
10 not exempt from the general excise tax the sale of parts to an  
11 aircraft carrier, even though the complementary use tax law  
12 explicitly exempts from the use tax imports of these parts from  
13 an out-of-state seller.

14           To correct this imbalance, recognize the critical  
15 importance of the airline industry to the State, and ensure  
16 competitiveness with other states in attracting and maintaining



1 aircraft maintenance jobs and facilities, the purpose of this  
2 Act is to provide a general excise tax exemption for the sale of  
3 material, parts, or tools that are used for aircraft service and  
4 maintenance or for the construction of an aircraft service and  
5 maintenance facility.

6 SECTION 2. Section 237-24.9, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "~~§237-24.9 Aircraft service [and], maintenance~~  
9 facility[-], and sale of related materials. (a) This chapter

10 shall not apply to amounts received from the servicing and  
11 maintenance of aircraft [~~or~~], from the construction of an  
12 aircraft service and maintenance facility in the State[-], or  
13 from the sale of material, parts, or tools to a licensed  
14 aircraft carrier if they are purchased for aircraft service and  
15 maintenance or for the construction of an aircraft service and  
16 maintenance facility.

17 (b) [~~As used in~~] For the purposes of this section:

18 "Aircraft" means any craft or artificial contrivance of  
19 whatever description engaged in intrastate, interstate, or  
20 international scheduled commercial use as defined in chapter  
21 263, that operates with two or more jet engines.

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 [~~which~~] that are an integral part of an  
7 aircraft.

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

14 "Construction of an aircraft service and maintenance  
15 facility" means all design, engineering, labor, and material  
16 costs associated with the construction of facilities the  
17 [+]principal[+] purpose of which is the provision of facilities  
18 for aircraft service and maintenance.

19 "Licensed aircraft carrier" means an airline or aircraft  
20 operator that has an air carrier certificate from the Federal  
21 Aviation Administration and United States Department of



1 Transportation pursuant to title 14 Code of Federal Regulations  
2 parts 121 and 135 to transport passengers or cargo.

3 "Maintenance" means the upkeep of aircraft engines,  
4 hydraulic and electrical systems, and all other components  
5 [~~which~~] that are an integral part of an aircraft, but does not  
6 include refueling, janitorial services or cleaning, restocking  
7 of aircraft and passenger supplies, or loading or unloading of  
8 cargo and passenger baggage."

9 SECTION 3. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 3000.



**Report Title:**

Taxation; General Excise Tax; Aircraft Service and Maintenance

**Description:**

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. Effective 7/1/3000. (HD1)

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