
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 air carrier. In the State, 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. To correct this imbalance, recognize
14 the critical importance of the airline industry to the State,
15 and ensure competitiveness with other states, including those
16 listed above, in attracting and maintaining aircraft maintenance



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

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

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

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



1 Transportation pursuant to 14 C.F.R. Parts 121 and 135 to
2 transport passengers or cargo.

3 "Maintenance" means the upkeep of aircraft engines,
4 hydraulic and electrical systems, and all other components which
5 are an integral part of an aircraft, but does not include
6 refueling, janitorial services or cleaning, restocking of
7 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 January 1, 2027.



S.B. NO. 2399
S.D. 1

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 1/1/2027. (SD1)

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