

Honolulu, Hawaii

**FEB 17** , 2026

RE: H.B. No. 1688  
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 H.B. No. 1688 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 Alaska Airlines and Hawaiian Airlines; Kohala Coast Resort Association; and Activities & Attractions Association of Hawaii, Inc. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the airline industry plays a critical role in Hawaii's economy, supporting tourism, commerce, and the movement of residents and goods throughout the State. Although existing law provides a general excise tax exemption for aircraft servicing and maintenance, a recent court decision clarified that the exemption does not extend to the sale of material, parts, or tools to air carriers, creating an imbalance in the tax structure and placing Hawaii at a competitive



disadvantage compared to numerous other states that explicitly exempt aircraft parts from sales tax. By extending the general excise tax exemption to include the sale of material, parts, or tools used for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility, this measure corrects the imbalance in existing law and strengthens Hawaii's competitiveness in the aviation industry.

Your Committee has amended this measure by:

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

Your Committee notes the Department of Taxation's request for an effective date of January 1, 2027, to allow sufficient time for form and instruction changes and notification of taxpayers.

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, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1688, 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



State of Hawaii  
House of Representatives  
The Thirty-third Legislature

HSCR 286-26

**Record of Votes of the Committee on Transportation**

<b>Bill/Resolution No.:</b> <i>HB 1688</i>	<b>Committee Referral:</b> <i>TRN, FIN</i>	<b>Date:</b> <i>2/12/24</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. KILA, Darius K. (C)	✓			
2. MIYAKE, Tyson K. (VC)	✓			
3. COCHRAN, Elle	✓			
4. EVSLIN, Luke A.	✓			
5. GRANDINETTI, Tina Nakada				✓
6. KITAGAWA, Lisa	✓			
7. LA CHICA, Trish	✓			
8. MURAOKA, Christopher L.	✓			
9. PIERICK, Elijah				✓
<b>TOTAL (9)</b>	<i>7</i>	<i>0</i>	<i>0</i>	<i>2</i>
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
<b>Vice Chair's or designee's signature:</b> _____ <div style="text-align: center; font-size: 1.2em; font-family: cursive;">Tyson Miyake</div>				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				