

STAND. COM. REP. NO.

3684

Honolulu, Hawaii

APR 09 2026

RE: H.B. No. 1688
H.D. 1
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1688, H.D. 1, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to promote the growth of aircraft maintenance jobs and facilities in the State.

More specifically, this measure establishes a general excise tax exemption for the sale of material, parts, or tools that are used for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility.

Your Committee received written comments in support of this measure from Alaska Airlines and Hawaiian Airlines, Chamber of Commerce Hawaii, and Kohala Coast Resort Association.

Your Committee received written comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that, under current Hawaii law, a general excise tax exemption exists for aircraft servicing and maintenance. However, the Intermediate Court of Appeals has recently held that this exemption does not apply to the sale of



aircraft parts to air carriers. Your Committee also finds that many states expressly exempt such sales from their respective sales taxes. Your Committee recognizes that this disparity places Hawaii at a competitive disadvantage in attracting and retaining aircraft maintenance operations and related employment. Additionally, your Committee notes that the use tax law explicitly exempts the importation of such parts, resulting in an inconsistency within the State's tax framework. Your Committee believes that extending the general excise tax exemption to include the sale of materials, parts, and tools used in aircraft service, maintenance, and facility construction would promote tax parity, enhance economic competitiveness, and support the continued viability of the State's airline industry.

Your Committee has amended this measure by changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1688, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1688, H.D. 1, S.D. 2.

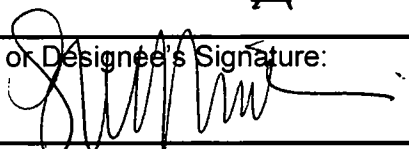
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1688, HD1, SD1	TRS, WAM	4/6/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
DECOITE, Lynn	X			
ELEFANTE, Brandon J.C.	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris				X
RICHARDS, III, Herbert M. "Tim"	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	12	0	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Committee	Drafting Agency		

*Only one measure per Record of Votes