

STAND. COM. REP. NO.

2138

Honolulu, Hawaii

FEB 09 2026

RE: S.B. No. 2399
S.D. 1

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

Sir:

Your Committee on Transportation, to which was referred S.B. No. 2399 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 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, Chamber of Commerce of Hawaii, Kohala Coast Resort Association and one individual.

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

Your Committee finds that while existing law provides a general excise tax exemption for aircraft servicing and maintenance, it does not exempt the sale of material, parts, or tools to an aircraft carrier from the general excise tax. Your Committee further finds, however, that complementary use tax law explicitly exempts from the use tax imports of these parts from an out-of-state seller, creating a competitive balance in favor of out-of-state sellers. This measure will correct this imbalance



and ensure competitiveness with other states by providing 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 notes the concern raised by the Department of Taxation that the Department will need sufficient time for form and instruction changes and notification to taxpayers regarding the general excise tax exemption for aircraft service and maintenance. Your Committee further notes the concern raised by the Tax Foundation of Hawaii that a definition of "licensed aircraft carrier" is needed to clarify which aircraft carriers qualify for the general excise tax exemption. Therefore, amendments to this measure are necessary to address these concerns.

Your Committee has amended this measure by:

- (1) Inserting a definition of "licensed aircraft carrier" for the taxation purposes;
- (2) Inserting a delayed effective date of January 1, 2027; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B. No. 2399, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2399, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,


LORRAINE R. INOUE, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Transportation
TRS

Bill / Resolution No.:*	Committee Referral:	Date:		
SB2399	TRS, WAM	02/03/26		
<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
INOUYE, Lorraine R. (C)	✓			
ELEFANTE, Brandon J.C. (VC)	✓			
KANUHA, Dru Mamo				✓
LEE, Chris	✓			
DECORTE, Samantha			✓	
TOTAL	3	0	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; margin-top: 10px;">  </div>				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes