

STAND. COM. REP. NO. **2325**

Honolulu, Hawaii

FEB 18 2026

RE: S.B. No. 3313
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. 3313 entitled:

"A BILL FOR AN ACT RELATING TO INTERISLAND AIR SERVICE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a Hawaii Interisland Air Service Stability and Transformation Program to be administered by the Department of Taxation;
- (2) Require a covered interisland air service operator to issue an equity interest to the State as a condition of participation in the Hawaii Interisland Air Service Stability and Transformation Program; and
- (3) Establish the Interisland Air Service Stability and Transformation Tax Credit.

Your Committee received testimony in support of this measure from Activities & Attractions Association of Hawaii, Inc.

Your Committee received comments on this measure from the Department of the Attorney General and Department of Taxation.



Your Committee finds that the State and its residents rely on interisland air service for commerce, family reunification and community continuity; access to essential medical care and services that are not uniformly available on each island; and workforce mobility. Consequently, any disruption to interisland air service threatens the State's public health, public safety, and economic welfare. Investment in aircraft, maintenance, and operational resilience is necessary to maintain interisland air service reliability and protect the State's vital interests. Your Committee further finds that the State may enter into a mutually beneficial partnership with privately-owned and -managed interisland air service operators that will provide these operators with strategic public support conditioned on enforceable public-benefit commitments. This measure will establish targeted tax incentives for certain interisland air service operators to support the critical services that they provide while preserving public interests.

Your Committee notes the concern raised by the Department of Taxation that adequate time is needed to implement the Interisland Air Service Stability and Transformation Tax Credit. Therefore, amendments to this measure are necessary to address this concern.

Your Committee has amended this measure by:

- (1) Specifying that the Interisland Air Service Stability and Transformation Tax Credit shall apply to taxable years beginning after December 31, 2027; and
- (2) 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. 3313, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3313, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.



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


LORRAINE R. INOUE, Chair



