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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2399, S.D.1, Relating to a General Excise Tax Exemption for Aircraft Maintenance

**BEFORE THE:**

Senate Committee on Ways and Means

**DATE:** Tuesday, March 3, 2026

**TIME:** 10:17 a.m.

**LOCATION:** State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2399, S.D.1, for your consideration.

S.B. 2399, S.D.1, amends section 237-24.9, Hawaii Revised Statutes, to expand the general excise tax exemption for aircraft service and maintenance facilities to include the sale of material, parts, or tools to a licensed aircraft carrier when purchased for aircraft service and maintenance or for the construction of an aircraft service and maintenance facility.

A definition for a "licensed aircraft carrier" is added to mean "an airline or aircraft operator that has an air carrier certificate from the Federal Aviation Administration and United States Department of Transportation pursuant to 14 C.F.R. Parts 121 and 135 to transport passengers or cargo."

The bill has an effective date of January 1, 2027.

DOTAX notes that it can administer this bill with the January 1, 2027, effective date as proposed.

Thank you for the opportunity to provide comments on this measure.



Testimony of  
**ALASKA AIRLINES and HAWAIIAN AIRLINES**

Before the Senate Committee on  
**Ways and Means**

**Tuesday, March 3, 2026**  
**10:17 A.M.**  
**Hawai'i State Capitol, Room 211**

In consideration of  
**SENATE BILL 2399, SD1**  
**RELATING TO GENERAL EXCISE TAX EXEMPTION FOR AIRCRAFT MAINTENANCE**

The Honorable Donovan Dela Cruz, Chair  
The Honorable Sharon Moriwaki, Vice Chair  
Members of the Committee on Ways and Means

**Re: Testimony in Support of S.B. 2399, SD1, Relating To General Excise Tax Exemption For Aircraft Maintenance**

Chair Dela Cruz, Vice-Chair Moriwaki and members of the committee,

On behalf of Alaska Airlines and Hawaiian Airlines, we respectfully submit testimony **in strong support** of S.B. 2399, SD1, which clarifies the General Excise Tax treatment of aircraft parts, materials, and tools used for aircraft servicing and maintenance in Hawai'i.

In November 2025, the Hawai'i Intermediate Court of Appeals issued a decision interpreting existing statute to subject locally purchased aircraft parts to the General Excise Tax, despite a long-standing exemption in HRS section 237-24.9 intended to support aircraft servicing and maintenance. While the court acknowledged that this interpretation creates a tax disparity that disadvantages local business and employers, it also made clear that it believes that resolving this issue is a matter for the Legislature. S.B. 2399, SD1 appropriately responds to that directive by providing necessary statutory clarification.

Under the current interpretation of Hawai'i tax law, aircraft parts purchased outside the State and imported into Hawai'i are not subject to the use tax, while identical parts purchased in, or delivered to, Hawai'i are subject to the General Excise Tax. This creates a clear loophole that allows out-of-state purchases to receive more favorable tax treatment than local purchases. That outcome is inconsistent with the original purpose of Hawai'i's

use tax, which was designed to prevent precisely this type of disparity and to ensure tax neutrality between in-state and out-of-state transactions.

This loophole creates an unintended incentive to purchase aircraft parts outside Hawai'i, even when qualified local vendors are available. Over time, it distorts purchasing decisions, places Hawai'i-based suppliers at a competitive disadvantage, and undermines the State's interest in maintaining a strong and resilient aviation ecosystem. Closing this loophole is necessary to restore fairness and consistency in the State's tax policy, and to support the state's goals of supporting Hawai'i's economic and employment health.

S.B. 2399, SD1 does not create a new tax exemption. Instead, it clarifies and reaffirms existing legislative intent by explicitly stating that aircraft parts, materials, and tools used for aircraft servicing and maintenance, or for the construction of aircraft service and maintenance facilities, are exempt from the General Excise Tax when purchased by air carriers. This clarification restores parity between local and out-of-state purchases and aligns the General Excise Tax with the complementary use tax framework.

By restoring consistent tax treatment, S.B. 2399, SD1 ensures that Hawai'i-based purchasers and suppliers are not disadvantaged solely due to tax policy. It promotes fair competition, supports local businesses and jobs, and provides predictability for airlines and other qualifying aviation entities operating in Hawai'i. It also helps Hawai'i remain competitive with other states that explicitly exempt aircraft parts from sales or excise taxes to attract and retain aircraft maintenance activity.

As Hawai'i's hometown carrier, Hawaiian Airlines operates in a cost-sensitive and highly regulated aviation environment where predictability and fairness in tax policy matter. Alaska Airlines and Hawaiian Airlines believe that S.B. 2399, SD1 closes an unintended loophole, restores tax parity, and ensures that Hawai'i's tax policy supports safe, reliable air service and a strong local aviation industry.

For these reasons, we respectfully urge the Committee to **pass S.B. 2399, SD1**.

Mahalo for the opportunity to provide testimony.

**Testimony to the Senate Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Sharon Y. Moriwaki, Vice Chair**

**Tuesday, March 3, 2026, at 10:17AM  
Conference Room 211 & Videoconference**

**RE: SB2399 SD1 Relating to a General Excise Tax Exemption for Aircraft Maintenance**

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 2399 Senate Draft 1 (SB2399 SD1), which 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.

SB2399 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Small Business. This bill promotes the amendment of the tax disparity for general excise tax exemption between those selling aircraft parts out of state and those selling parts in state. As it stands, under the current 2025 Hawai'i Intermediate Court of Appeals decision, parts sourced from suppliers out of state are given more favorable tax treatment those selling those identical parts in state. Such interpretation stifles local business growth and diversification, by encouraging airlines--one of Hawaii's major economic drivers--to make these parts purchases out of state. Exclusion of local suppliers works in opposition to the intent of its original legislation, which was to allow for improved economic feasibility of aircraft maintenance and servicing in Hawaii.

This bill does not create a new tax exemption. Rather, it makes explicit the inclusion of necessary parts to conduct GET exempt aircraft maintenance and servicing. This inclusion will lend towards a more equitable environment for local aircraft parts suppliers, allowing local business to more fairly compete with national suppliers.

For these reasons, the Chamber respectfully asks to pass Senate Bill 2399 Senate Draft 1. Thank you for the opportunity to testify.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.