

LATE TESTIMONY

January 29, 2008

Honorable Senators:

I am writing in support of SB 2088 to amend the definition of "qualified business" under Section 209E-2, Hawaii revised Statutes.

I own and operate a helicopter flight training school with offices on Oahu, Kauai and the Big Island. We provide professional flight training for persons interested in pursuing a career in the helicopter industry. We have an average enrollment of 75 students statewide and use a total of 15 aircraft in our training program. We employ 17 flight instructors, three managers and a mechanic.

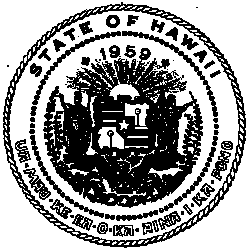
Our school would benefit greatly from a reduction in State taxes because it would allow us to upgrade our equipment, refurbish our facilities and, in general, to become more competitive with out-of-state flight schools. As you are no doubt aware, the great state of California exempts flight schools from state tax, a huge competitive advantage for those schools. Allowing Hawaii flight schools this tax reduction would help level the playing field and contribute to our future success.

Aviation training is a natural industry for Hawaii. Our weather is conducive to more flyable days per year, we have an outstanding variety of terrain, relatively uncluttered airspace, and a helicopter tour industry that is always in need of new pilots. But it is expensive doing business in Hawaii: aviation gas prices are the highest in the nation, rents are steep, and everything from transportation to groceries carries a higher cost than on the mainland.

Anything our esteemed Legislature can do to reduce the penalty of doing business here would be a great service and would pay dividends for years to come.

Respectfully,

Ben Fouts, President
Mauna Loa Helicopters



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
AND TAXATION**

Tuesday, January 29, 2008
1:15 P.M.
State Capitol, Conference Room 224

in consideration of
SB 2088
RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING

Chair Fukunaga, Vice-Chair Espero, and Committee members:

The department supports the concept of SB 2088 which includes commercial aviation training as a qualified business for enterprise zone benefits. There have been many good ideas introduced this legislative session that support the State's economic development goals. We hope the legislature will see fit to support, pass and fund these ideas, together with the priorities of the Executive's Supplemental Budget.

This bill would allow businesses engaged in commercial aviation training for pilots, dispatchers, mechanics, or traffic controllers to be eligible to participate in the State Enterprise Zone Partnership program. Hawaii's EZ program has been modeled after a nationally recognized tax credit program. Established in 1986, it is one of the State's few funded programs that assist for-profit businesses. The State provides tax incentives such as GET exemptions, State unemployment insurance credit, and income

tax credit. The Counties may also provide additional benefits such as building permit priority processing, building permit fee waiver, grading permit fee waiver, and property tax rebates.

By allowing commercial aviation training to become eligible for Enterprise Zone benefits, we will be encouraging new investment in Hawaii, creating more jobs with better pay for our residents and creating more opportunities for those airlines who are already here to become more profitable by building a better trained workforce of local residents. We feel that the commercial aviation training sector presents an opportunity for Hawaii to raise the level of education and skills of our resident workforce.

It is difficult to estimate the revenue impact of this bill since the eligibility of some types of transactions connected with this kind of activity may not always be clear-cut.

Thank you for the opportunity to provide these comments.

**DEPARTMENT OF TAXATION
RESEARCH DIVISION • REVENUE IMPACTS ANALYSIS**

**S.B. 2088, RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING
January 26, 2008**

PROPOSAL: The bill would add businesses engaged in commercial aviation training for pilots, dispatchers, mechanics, or air traffic controllers to the definition of 'qualified business' under the State's enterprise zone law. The bill would take effect upon approval.

REVENUE IMPACT: Revenue losses are estimated to be \$400,000 for fiscal year 2009, \$1.2 million for fiscal year 2010, \$400,000 for fiscal year 2011 and \$275,000 per year thereafter.

METHODOLOGY: It is estimated that the construction of facilities for the aviation training would cost \$50 million over three years, with \$10 million being incurred in the first and third years and \$30 million being incurred in the second year. In the fourth year and thereafter, the facility is assumed to generate \$5 million in gross receipts and to increase the enterprise zone tax credit by 5%. GET is foregone at the rate of 4% on the construction costs and on the gross receipts from the training facility.

DISCUSSION: It is very difficult to predict the extent of construction and gross receipts that will be generated in the enterprise zones as a result of the bill. (An internet search revealed that there are at least four flight schools in Hawaii.)