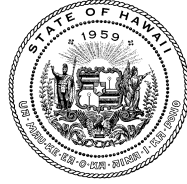


DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable J.C. Aquino, Chair
and Members of the House Committee on Transportation

Date: Friday, February 3, 2017
Time: 10:30 A.M.
Place: Conference Room 423, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 484, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 484 and provides the following comments for your consideration.

H.B. 484 adds helicopters as a qualifying "aircraft" for the aircraft service and maintenance facility exemption from general excise tax (GET) exemption codified at section 237-24.9, Hawaii Revised Statutes. The measure is effective upon approval.

The Department notes that the preamble in Section 1 seems to discuss exemption from GET in a broader scope than what this measure proposes. This measure, if enacted, would only additionally exempt amounts received for the service of helicopters and the construction of maintenance facilities at which helicopters are serviced.

Finally, if the Committee wishes to advance this measure, the Department requests that the measure apply to taxable years beginning after December 31, 2017 to allow sufficient time for form and instruction changes.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempts Helicopters

BILL NUMBER: HB 484; SB 769 (Identical)

INTRODUCED BY: HB by ONISHI, AQUINO, CHOY, CREAGAN, MORIKAWA, NAKASHIMA, OHNO, TODD, Brower, Keohokalole, Quinlan, Yamashita; SB by WAKAI

EXECUTIVE SUMMARY: The stated purpose of the bill is to create equity among the types of available aircraft by exempting helicopters from the GET. There already is an exemption recognized in the GET, and the bill as drafted does not achieve its stated purpose. To achieve equity, a different approach is needed.

BRIEF SUMMARY: Amends the definition of “aircraft” in HRS section 237-24.9 to include a helicopter.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: Before the 1980’s, the State attempted to tax air carriers of all kinds under the public service company tax. However, there is a federal statute (now 49 U.S.C. §40116) preventing States from imposing taxes against the gross income from transportation by air of passengers or cargo. The State contended that it wasn’t prevented from imposing the tax, and the U.S. Supreme Court disagreed in a unanimous opinion. *Aloha Airlines v. Director of Taxation*, 464 U.S. 7 (1983).

Then, the Department of Taxation issued Tax Information Release 89-10, acknowledging that the transportation of persons or cargo by helicopter aircraft, including sightseeing tours, is exempt from the GET.

The provision being amended by this bill relates to another exemption entirely. Back in 1997, Continental Airlines was considering building a \$24 million jet maintenance hangar close to the Honolulu International Airport. To lure the project away from Guam and Saipan, our lawmakers at the time offered incentives, including a GET exemption. The exemption applied to servicing and maintenance of aircraft, or from the construction of an aircraft service and maintenance facility. But “aircraft,” as used in the exemption statute, was and still is restricted to aircraft with two or more jet engines. Small carriers with propeller planes don’t qualify, raising some questions about whether this exemption helps the industry fairly. Is it simply a reflection of the economic realities – namely that the big planes can fly elsewhere to have the maintenance work done, while smaller aircraft are effectively trapped here? A better approach may be to have the exemption apply (or be repealed) across the board; the current structure leaves the impression that big business skates by where small business is left behind.



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 484

Relating To Taxation

COMMITTEE ON TRANSPORTATION

Friday, February 3, 2017, 10:30 am

Conference Room 423

Dear Chair Aquino, Vice Chair Quinlan and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 175 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **in support** of HB 484, which exempts helicopters from general excise tax.

MHLA supports this measure which seeks to provide fair and equitable tax treatment for all helicopters whereas only certain helicopters and aircraft receive favorable tax treatment for maintenance and equipment purchases. Additionally, this bill acknowledges the importance of the aviation industry for inter-island travel for tourism, medical needs, and inter-island commerce.

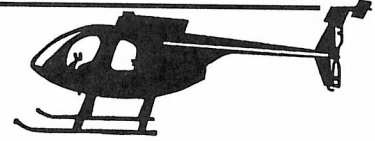
Thank you for the opportunity to testify.

PACIFIC

HELICOPTER TOURS, INC.

Kahului Heliport Hangar #109 ▪ Kahului, HI 96732 ▪ BUS. 808/871-9771 ▪ FAX 808/871-5806

Charters, Tours & Industrial Lifts



February 1, 2017

To: House Transportation Committee Chair Henry Aquino and member of the Committee.

I am writing today to express my SUPPORT for HB 484, relating to taxation. I am Colleen Hauptman, President of Pacific Helicopter Tours, Inc.

We are a versatile aviation company with an emphasis on commercial and Industrial work such as MECO, HECO and the Maui County EMS Helicopter. We operate a varied fleet of both single engine and twin engine helicopters.

This bill benefits not just the tour industry but the Hawaii Economy. I humbly ask for your support for House Bill 484.

Sincerely,

A handwritten signature in cursive script that reads "Colleen Hauptman". The signature is written in black ink and is followed by a horizontal line.

Colleen M. R. Hauptman
President
Pacific Helicopter Tours, Inc.



February 2, 2017

Testimony to the House Committee on Transportation

Tuesday, February 3, 2017 10:30AM in House Conference Room 423

RE: House Bill 484 - Exempts helicopters from general excise tax.

Aloha,

I am writing in support of House Bill 484 which will provide needed parity in tax treatment for all aircraft. As noted in the bill, the aviation industry is important for inter-island travel for tourism, medical needs, and inter-island commerce. The State's economy is highly dependent on tourism and the ability to travel between islands. We are a part of an industry which promotes helicopter travel, as well as helicopter transportation for recreational tourism, support of agricultural work, construction, natural resource management, photography, and medical needs. At the present time, traditional aircraft and only some helicopters are afforded certain tax exemptions. Due to changes in the industry and travel options, taxes levied on aviation businesses need to be updated to promote inter-island travel options for visitors and residents, and the interests of the State.

We urge you to support HB 484.

Sincerely,

Casey Riemer
General Manager/VP

State of Hawaii House of Representatives Committee on Transportation
Friday, February 3, 2017; 10:30am
Support for HB 484
Testimony comments of Gregg Lundberg, Blue Hawaiian Helicopters

Chairman Aquino and members of the House Transportation Committee, thank you for the opportunity to speak in support of HB 484 that would create parity among the aircraft being used in Hawaii by amending our current aviation excise tax statute. My name is Gregg Lundberg, I am proud to serve as President of Blue Hawaiian Helicopters. Blue Hawaiian is Hawaii's first air tour operator, founded in 1985, and is the only air tour operator to offer tours and employ Hawaiian residents on Oahu, Kauai, Maui and the Big Island. Blue Hawaiian contributes millions of dollars to Hawaii's tourism industry, over just the last 12 months Blue Hawaii has provided tours of our beautiful state to over 225,000 visitors from more than 70 countries around the world. Our tours are a once in a lifetime experience for passengers young and old of all different abilities, and are an environmentally low-impact way to see the unique wonders of our islands such that we protect our delicate ecosystems. We firmly believe that our tours are more than just sightseeing, they function as "flying classrooms" for our passengers to learn about the rich history of Hawaii, its Native culture, and its diverse geography.

HB 484 seeks to provide parity for smaller aviation operators, in an island state that is heavily dependent on air transportation of many types, including medical operations, air tours and disaster relief. By modernizing the current tax statute to simply include "helicopter" in the definition of aircraft, the operators in all of these sectors and many more will now correctly be included with other aviation operations as contributing stakeholders in the Hawaiian economy. I am here to give you the perspective of an aviation stakeholder who operates aircraft that are currently excluded from the current statute.

In serving hundreds of thousands of visitors to Hawaii each year, our operations must be efficient and organized in order to have our state of the art helicopters fully maintained and ready for our passengers each day. There are considerable costs to operating a safe aviation operation that meets FAA regulatory requirements, including thousands of hours of recurrent pilot and mechanic training each year, aircraft parts, tools and equipment, as well as full-time highly-trained mechanics and thousands of maintenance labor hours.

For us at Blue Hawaiian, "good enough is never enough," and we take it upon ourselves to invest in aircraft, maintenance and safety programs that keep our pilots and passengers safe and deliver the best possible experience. Blue Hawaiian has been a proud recipient of the FAA Certificate of Excellence, Diamond Award each year since 1998. Each of our aircraft is equipped with state-of-the-art Garmin Terrain Avoidance visualization technology to give our pilots greater visibility and awareness, and we have invested in our own Flight Training Device to keep our excellent pilots fine-tuning their skills and abilities.

Page Two

HB 484 is not about giving an advantage to one sector over another, but to bring fairness to sectors of the aviation industry overall. HB 484 helps support small aviation companies like ours who are faced with the daunting task of maintaining a labor-intensive, time-intensive and capital-intensive aviation operation that contributes millions of dollars and hundreds of jobs to the Hawaiian tourism economy. Ladies and gentlemen of the committee, you are better aware than anyone that aviation operations are not a simple undertaking, otherwise everyone would start a company in aviation. We thank you for your consideration of HB 484, and its intent to keep aviation in Hawaii thriving.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 423
FRIDAY, FEBRUARY 3, 2017 AT 10:30 A.M.**

To The Honorable Henry J.C. Aquino, Chair;
The Honorable Sean Quinlan, Vice Chair; and
Members of the Transportation Committee

**TESTIMONY IN SUPPORT OF HB484 RELATION TO TAXATION AND
EXEMPTING HELICOPTERS FROM GENERAL EXCISE TAX**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce representing approximately 600 businesses and 16,000 employees on Maui. I am writing share our support of HB484.

The Hawaii visitor industry is one of the most important industries to the state's and Maui County's economies. Visitors come to our islands because of the culture, beautiful scenery, high-quality activities and the opportunity to travel between islands. Helicopters are a popular mode of transportation for travel and especially for visitors to view the island scenery not easily accessible by land. Our helicopter tours create treasured memories and are therefore extremely important to our visitor industry. Their success contributes to our overall success.

We believe there should be equity in the tax law for all aircraft and therefore helicopters should also be exempt from the general excise tax. This will help our visitor industry, air tour industry, and local helicopter companies like our members Blue Hawaiian and Sunshine Helicopters.

We appreciate the opportunity to testify on this matter and therefore ask that this bill be passed.

Mahalo for your consideration of our testimony and we hope you will move this bill forward.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 9:51 PM
To: TRNtestimony
Cc: calvin@paradisecopters.com
Subject: Submitted testimony for HB484 on Feb 3, 2017 10:30AM

HB484

Submitted on: 2/2/2017
Testimony for TRN on Feb 3, 2017 10:30AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Calvin G. Dorn	Individual	Support	No

Comments: Paradise Helicopters is a locally owned and operated company founded in Hawai'i in 1997. I am writing today to express our support for HB 484. We are dedicated to providing a personalized and friendly helicopter flight service to all of our customers. From the first phone call to the end of the flight our Paradise Helicopters staff is trained to serve the client and give a personal touch to make everyone feel special. Paradise Helicopters has offices on the Island of Hawaii and on the Island of Oahu and employs over 100 people. We believe that HB 484 will provided needed parity in tax treatment for all helicopters and with aircraft. We appreciate your support.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 2, 2017 6:30 PM
To: TRNtestimony
Cc: preston@safarihelicopters.com
Subject: Submitted testimony for HB484 on Feb 3, 2017 10:30AM

HB484

Submitted on: 2/2/2017

Testimony for TRN on Feb 3, 2017 10:30AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Preston Myers	Safari Helicopter Tours	Support	No

Comments: I support HB 484. My company is Safari Aviation, Inc. dba Safari Helicopter Tours. This bill is an important initiative to level the excise tax in a way that will be beneficial to the Hawaii economy. We ask for your support of House Bill 484.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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