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To: The Honorable Lorraine Inouye, Chair
and Members of the Senate Committee on Transportation and Energy

Date: Wednesday, March 14, 2018
Time: 1:15 P.M.
Place: Conference Room 225, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2007, H.D. 1, Relating to Taxation.

The Department of Taxation (Department) appreciates the intent of H.B. 2007, H.D. 1, and offers the following comments for your consideration.

H.B. 2007, H.D. 1, adds helicopters to the list of qualifying aircraft for the aircraft service and maintenance facility exemption from the general excise tax. It does this by amending Hawaii Revised Statutes section 237-24.9, to include helicopters within the definition of "aircraft." The measure has a defective effective date of July 1, 2030, and applies to taxable years beginning after December 31, 2018.

The Department notes that the House Committee on Finance defected the effective date of this measure to July 1, 2030, to facilitate further discussion. If the Committee wishes to advance this measure, the Department notes that it will be able to administer it for taxable years beginning after December 31, 2018.

Thank you for the opportunity to provide comments.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i

Office of the Mayor

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March 12, 2018

Senator Lorrain R. Inouye, Chair
Committee on Transportation and Energy
Hawai'i State Capitol, Room 225
Honolulu, HI 96813

Dear Chair Inouye, Chair Baker and Committee Members:

**Re: HB 2007, HD 1 Relating to GET Exemption on Helicopter Servicing
and Maintenance**
Hearing Date: 03-14-18 – 1:15 pm; Conference Room 225

Helicopters are a valued component of our tourism industry. They also have been a source of endless complaints from communities that lie in their flight paths, and there should be no doubt that noise can constitute both a nuisance and a health hazard, especially in otherwise tranquil rural areas.

Helicopter companies are now asking the Legislature for special treatment with respect to the general excise tax. There is no suggestion of economic hardship; there is no suggestion that new facilities will be attracted to Hawai'i; and there is no suggestion that the industry would use its savings to better accommodate those who live in their fly-over country. The exemption will simply add to the companies' bottom line.

As you struggle to balance your budget, one must ask whether the added profits for these companies' owners could be better utilized in meeting the multiple needs that Hawai'i faces. To me, the answer is that our transportation, education, social service needs, etc., should be a higher priority.

I would urge a No vote on HB 2007, HD 1.

Respectfully submitted,

Harry Kim
Mayor, County of Hawai'i



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 2007 HD 1

Relating To Taxation

COMMITTEE ON TRANSPORTATION AND ENERGY

Wednesday, March 14, 2018, 1:15 pm

Conference Room 225

Dear Chair Inouye, Vice Chair Espero and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 185 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 2007 HD 2**, which amends the definition of "aircraft" under section 237-24.9, Hawaii Revised Statutes, to include helicopters. Exempts amounts received for the servicing and maintenance of helicopters and the construction of helicopter service and maintenance facilities from the general excise tax.

MHLA believes that HB 2007 will provide needed parity in tax treatment for all helicopters and with aircraft. 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.

HB-2007-HD-1

Submitted on: 3/13/2018 12:12:38 PM

Testimony for TRE on 3/14/2018 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:



State of Hawaii House of Representatives Committee Transportation and Energy

Friday, March 14, 2018; 1:15pm

Support for HB 2007

Testimony comments of Gregg Lundberg, Blue Hawaiian Helicopters

Chair Inouye, Vice Chair Espero and members of the House Transportation and Energy Committee,

My name is Gregg Lundberg and I am proud to serve as President and CEO of Blue Hawaiian Helicopters. Blue Hawaiian is Hawaii's largest provider of air tours to the State of Hawaii. Founded in 1985, we are one of the first operators to offer tours and employ Hawaii residents on Oahu, Kauai, Maui and the Island of Hawaii.

Thank you for the opportunity to speak in support of HB 2007, which amends the definition of "aircraft" under section 237-24.9, Hawaii Revised Statutes, to include helicopters. The Bill would exempt amounts received for the servicing and maintenance of helicopters and the construction of helicopter service and maintenance facilities, from the general excise tax.

We believe that HB 2007 will provide needed parity in tax treatment for all helicopters and with aircraft. We appreciate your support.

Thank you again for the opportunity to testify.

Sincerely,

Gregg Lundberg
President & CEO

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TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Helicopter Repair and Maintenance

BILL NUMBER: HB 2007, HD-1

INTRODUCED BY: House Committee on Finance

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.

SYNOPSIS: Amends the definition of “aircraft” in section 237-24.9(b), HRS, to include a helicopter. The current definition requires an aircraft to have two jet engines.

EFFECTIVE DATE: July 1, 2030.

STAFF COMMENTS: 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, 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.

Digested 3/12/2018



Hawaii Helicopters

State of Hawaii House of Representatives Committee on Transportation and Energy

Friday, March 14, 2018; 1:15pm

Support for HB 2007

Testimony comments of Justin Brooke, Hawaii Helicopters

Chair Inouye, Vice Chair Espero and members of the House Transportation and Energy Committee,

My name is Justin Brooke, Director of Operations for Hawaii Helicopters. We currently operate on Maui, Molokai and the Island of Hawaii

Thank you for the opportunity to speak in support of HB 2007, which amends the definition of "aircraft" under section 237-24.9, Hawaii Revised Statutes, to include helicopters. The Bill would exempt amounts received for the servicing and maintenance of helicopters and the construction of helicopter service and maintenance facilities, from the general excise tax.

We believe that HB 2007 will provide needed parity in tax treatment for all helicopters and with aircraft. We appreciate your support.

Thank you again for the opportunity to testify.

Sincerely,

Justin Brooke
Director of Operations

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1 Kahului Airport Road
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Kahului, HI 96732

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