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GOVERNOR

DOUGLAS S. CHIN  
LIEUTENANT GOVERNOR



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DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Donovan Dela M. Cruz, Chair  
and Members of the Senate Committee on Ways and Means

Date: Tuesday, April 3, 2018  
Time: 10:00 A.M.  
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

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

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

H.B. 2007, H.D. 1, S.D. 1, adds helicopters to the definition of qualifying aircraft for the aircraft service and maintenance facility exemption from the general excise tax. It does this by amending Hawaii Revised Statutes (HRS) section 237-24.9 to remove language limiting the definition of aircraft only to those craft operating with two or more jet engines. The measure has a defective effective date of July 1, 2030.

The Department notes that the Senate Committee on Transportation and Energy amended this measure by revising the definition of "aircraft," to remove language limiting the definition to craft operating with two or more jet engines. The previous version of this measure, H.B. 2007, H.D. 1, kept the original "two or more jet engines" language in the definition's first subsection and added another subsection to the definition to specifically include helicopters.

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 29, 2018

Senator Donovan M. Dela Cruz, Chair  
Committee on Ways and Means  
Hawai'i State Capitol, Room 211  
Honolulu, HI 96813

Senator Gilbert S.C. Keith-Agaran, Vice-Chair  
Committee on Ways and Means  
Hawai'i State Capitol, Room 211  
Honolulu, HI 96813

Dear Chair Dela Cruz, Vice-Chair Keith-Agaran, and Committee Members:

**Re: HB 2007, HD 1, SD 1 Relating to GET Exemption on Aircraft Servicing and Maintenance**  
**Hearing Date: 04/03/2018 – 10:00 am; Conference Room 211**

My concern is with helicopters.

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 more favorable 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, and reduce much needed revenue for the State.

The history of helicopters in Hawai'i is laid out in SR 109 and SCR 183 (introduced by Senator Kahele) and is eye-opening. How can our residents be asked to tolerate the status quo when it has been 14 years since the Federal Aviation Administration and National Park Service asked for comments on an Air Tour Management Plan Environmental Assessment, and seven years since a preliminary draft Air Tour Management Plan for Hawai'i Volcanoes National Park was published, without further action. That is an outrage.

I don't think it would be unfair to say that tax giveaways should be reserved for good corporate citizens. Perhaps the helicopter tour industry's cooperation with SR 109 and SCR 183 should be evaluated before HB 2007, HD 1, SD 1 is given any further consideration.

March 29, 2018

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Moreover, 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 urge a No vote on HB 2007, HD 1, SD 1.

Respectfully submitted,

A handwritten signature in black ink that reads "Harry Kim". The signature is written in a cursive, flowing style.

Harry Kim  
Mayor, County of Hawai'i

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: GENERAL EXCISE, Exemption for Aircraft Repair and Maintenance

BILL NUMBER: HB 2007, HD-1, SD-1

INTRODUCED BY: Senate Committee on Transportation & Energy

EXECUTIVE SUMMARY: The stated purpose of the bill is to create equity among the types of available aircraft by broadening the exemption for aircraft repairs and maintenance to encompass all aircraft. The current structure leaves the impression that big business skates by where small business is left behind.

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.

This bill modifies the exemption so that it applies across the board; the current structure leaves the impression that big business skates by where small business is left behind.

Digested 3/29/2018

We strongly **oppose** bill HB2007 in its current form! Tour Helicopters are in the sightseeing business and operate exclusively in Hawaii. They do not provide transportation as a form of business to transport people from one point to another, and should NOT be classified with transportation aircraft! Tour Helicopters are in the for-profit business of sightseeing and should pay their fair share of GT TAX, just as any other TOUR business which operates exclusively in Hawaii. Recreational Tour Helicopters take-off and land at the same locations with the same customers. Hawaii resources are stretched thin to pay for RAIL, HOMELESSNESS, INFRASTRUCTURE, SALARIES and we are giving Tour Helicopter Companies a free pass. WHY? Are we so concerned with their monitory election donations that you are willing to allow them to not pay their fair share to Hawaii?

Daryl Soares





# *Hawaii Helicopters*

State of Hawaii Senate Committee on Ways and Means  
Tuesday, April 3, 2018; 10:00am  
Support for HB 2007  
Testimony comments of Justin Brooke, Hawaii Helicopters

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Ways and Means 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

Hawaii Helicopters, Inc.  
1 Kahului Airport Road  
Hangar 106  
Kahului, HI 96732

808/877-3900 Phone  
808/873-0796 Fax



State of Hawaii Senate Committee on Ways and Means

Tuesday, April 3, 2018; 10:00am

Support for HB 2007

Testimony comments of Gregg Lundberg, Blue Hawaiian Helicopters

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Ways and Means 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 over 300 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 aircraft including helicopters. We appreciate your support.

Thank you again for the opportunity to testify.

Sincerely,

Gregg Lundberg  
President & CEO

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**HB-2007-SD-1**

Submitted on: 4/2/2018 7:06:35 AM

Testimony for WAM on 4/3/2018 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:



**HB-2007-SD-1**

Submitted on: 3/30/2018 11:03:19 AM

Testimony for WAM on 4/3/2018 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Linda Pexa	Individual	Oppose	No

Comments:

I strongly oppose this bill as it will give Helicopter Tour Companies a General Excise Tax exemption. These tour companies are "for profit" and should therefore continue to pay this tax.

**HB-2007-SD-1**

Submitted on: 3/28/2018 5:35:34 PM

Testimony for WAM on 4/3/2018 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Linnolt	Individual	Oppose	No

Comments:

I strenuously oppose this bill, unless it is revised to continue the excise tax on TOUR HELICOPTER operations, regardless of the number of engines on their aircraft. Tour helicopter activity, especially here on Big Island has grown to the point of becoming a severe nuisance to the daily lives of the residents of Puna and other districts. They fly at low altitudes, repetitively and noisily over numerous subdivisions and populated areas. Many citizens organization have sprung up here to try to stop this harassment from the air. The tour helicopter companies show utter disregard and disrespect for the communities - those people who choose to live here, and have lived here for generations, for the peace and quiet of the rural lifestyle. On nice weather days, the skies are so noisy it is worse than downtown Honolulu! PLEASE, do not cater to these evil companies, who look only for their personal profits and care nothing for the quality of life of the people of Big Island. Very very sad, and no Aloha...