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**STATE OF HAWAII
DEPARTMENT OF TAXATION**

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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Friday, February 16, 2018
Time: 3:00 P.M.
Place: Conference Room 308, State Capitol

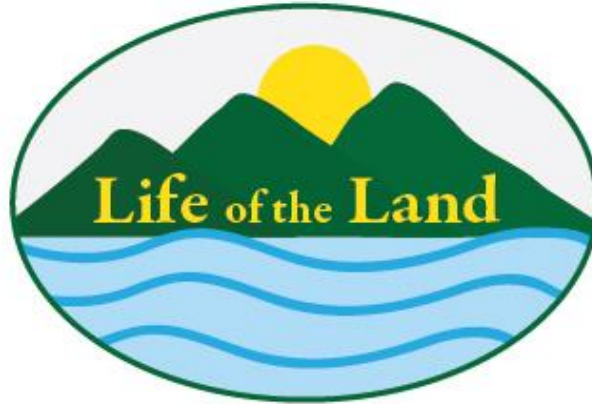
From: Linda Chu Takayama, Director
Department of Taxation

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

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

H.B. 2007 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 is effective upon approval and applies to taxable years beginning after December 31, 2018.

The Department notes that it is able to administer this measure with its current effective date. Thank you for the opportunity to provide comments.



P.O. Box 37158, Honolulu, Hawai`i 96837-0158
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COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

Friday, February 16, 2018
3:00 P.M.
Conference Room 308

HB 2007 RELATING TO TAXATION

OPPOSE

Aloha Chair Luke, Vice Chair Cullen, and Members of the Finance Committee

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 47 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Tourism has hit six record years in a row.

Two Hawai`i helicopter companies (Hawaii Helicopters and Blue Hawaiian Helicopter) are subsidiaries of a company that makes more than \$10 billion per year.

Under the recent federal \$1.5 Trillion tax restructuring, the companies will make a lot more in profits.

Since some Hawai`i companies receive GET tax breaks, they want them also, since it *"will provide needed parity in tax treatment."*

Suffering Hawai`i taxpayers would have to make up the difference.

Mahalo,
Henry Curtis, Executive Director



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 2007

Relating To Taxation

COMMITTEE ON FINANCE

Friday, February 16, 2018, 3:00 pm

Conference Room 308

Dear Chair Luke, Vice Chair Cullen 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, 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.



State of Hawaii House of Representatives Committee on Finance

Friday, February 16, 2018; 3:00pm

Support for HB 2007

Testimony comments of Justin Brooke, Hawaii Helicopters

Chair Luke, Vice Chair Cullen and members of the House Finance 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,

A handwritten signature in black ink, appearing to read "Justin Brooke", is written over a light blue horizontal line.

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 House of Representatives Committee on Finance

Friday, February 16, 2018; 3:00pm

Support for HB 2007

Testimony comments of Gregg Lundberg, Blue Hawaiian Helicopters

Chair Luke, Vice Chair Cullen and members of the House Finance 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

INTRODUCED BY: ONISHI, AQUINO, BROWER, QUINLAN, San Buenaventura

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: Taxable years beginning after December 31, 2018

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 2/7/2018

HB-2007

Submitted on: 2/15/2018 4:46:05 PM

Testimony for FIN on 2/16/2018 3:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Daryl Soares	Individual	Oppose	No

Comments:

Tour Helicopter Co. generate millions of dollars each year. Every aspect of business in Hawaii is saddled with GE TAX even Internet Sales. Everyone doing business in Hawaii has to pay GE TAX. Tour Operates provide a form of recreational entertainment and are not in the transportation business. Their business is conducted exclusively in Hawaii and should be required to pay their fair share of GE TAX. When I take my computer to a repair shop for a fix I'm charged a 4% tax even though the bulk of my computer work is utilized out-of-state. . Why should they be able to have their equipment serviced in Hawaii and not pay a GE TAX?