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

Date: Friday, February 9, 2018
Time: 10:00 A.M.
Place: Conference Room 423, 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 (GET). It does this by amending Hawaii Revised Statutes (HRS) 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.

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



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 2007

Relating To Taxation

COMMITTEE ON TRANSPORTATION

Friday, February 9, 2018, 10:00 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 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 Transportation
Friday, February 9, 2018; 10:00am
Support for HB 2007
Testimony comments of Gregg Lundberg, Blue Hawaiian Helicopters

Chair Aquino, Vice Chair Quinlan and members of the House Transportation Committee,

My name is Gregg Lundberg and I am proud to serve as the President & 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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Hawaii Helicopters

State of Hawaii House of Representatives Committee on Transportation
Friday, February 9, 2018; 10:00am
Support for HB 2007
Testimony comments of Justin Brooke, Hawaii Helicopters

Chair Aquino, Vice Chair Quinlan and members of the House Transportation Committee,

My name is Justin Brooke and I am proud to serve as the 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

HB-2007

Submitted on: 2/8/2018 11:51:06 AM

Testimony for TRN on 2/9/2018 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Moore		Oppose	No

Comments:

The proposed bill excludes inter island air transport by airplanes that do not use jet engine propulsion. The definition of aircraft needs to stated two or more engine airplanes and helicopters. By including two engine airplanes, you cover air taxi airplanes operated by FAA approved air taxi/on-demand operators that do the bulk of your unscheduled airline operations.