

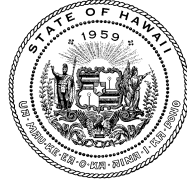
SB 769

RELATING TO TAXATION.

Exempts helicopters from general excise tax.

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 Lorraine R. Inouye, Chair
and Members of the Senate Committee on Transportation and Energy

Date: Monday, February 13, 2017

Time: 2:30 P.M.

Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 769, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 769 and provides the following comments for your consideration.

S.B. 769 adds helicopters as a qualifying "aircraft" for the aircraft service and maintenance facility exemption from general excise tax (GET), 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 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.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
MONDAY, FEBRUARY 13, 2017 AT 2:30 P.M.**

To The Honorable Lorraine R. Inouye, Chair;
The Honorable Donovan M. Dela Cruz, Vice Chair; and
Members of the Transportation and Energy Committee

**TESTIMONY IN SUPPORT OF SB 769 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 SB 769.

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.



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

SB 769

Relating To Taxation

COMMITTEE ON TRANSPORTATION AND ENERGY

Monday, February 13, 2017, 2:30 pm

Conference Room 225

Dear Chair Inouye, Vice Chair Dela Cruz 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 SB 769, 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.

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.



HAWAII

AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President 23404	Guy Archer	Jan Lubin	Cameron Sato	PO. Box
Alan Burdick, Vice President	Dylan Armstrong	Jenny Nomura	George Simson	Honolulu
Marsha Schweitzer, Treasurer	Gloria Borland	Stephen O'Harrow	Emmanuel Zibakalam	Hawai'i 96823
Karin Gill, Secretary	Chuck Huxel			

February 8 , 2017

TO: Honorable Chair Inouye and Members of the Transportation & Energy Committee

RE: SB 769 Relating to Taxation
Opposition for hearing on Feb. 13

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We oppose SB 769 to exempt helicopters from the general excise tax. We already have a regressive tax structure. To exempt helicopters and yet tax homeless people who use all their income to buy food is really unfair. It exacerbates and clearly points to one of the problems with our tax code. This looks like a bill that benefits the extremely wealthy, and does nothing to address the needy. Kill it now!

Thank you for your consideration.

Sincerely,

John Bickel
President

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 8, 2017 6:55 AM
To: TRE Testimony
Cc: Burdick808@gmail.com
Subject: Submitted testimony for SB769 on Feb 13, 2017 14:30PM

SB769

Submitted on: 2/8/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Alan B Burdick	Progressive Democrats of Hawaii	Oppose	No

Comments: Progressive Democrats of Hawaii is in strong OPPOSITION to this bill, which would exempt the purchase of ALL helicopters from the General Excise Tax. Such a tax exemption is, at best, seriously overbroad, because it fails to distinguish between public-service uses, such as air ambulances on the one hand, and recreational uses on the other. Under this bill, the poor would still have to pay GET for their loaf of bread, but the rich would not have to pay GET on their recreational helicopter. This is simply wrong.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 5:34 PM
To: TRE Testimony
Cc: colleen@pacheli.com
Subject: Submitted testimony for SB769 on Feb 13, 2017 14:30PM

SB769

Submitted on: 2/12/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Colleen M. R. Hauptman	Pacific Helicopter Tours, Inc.	Support	No

Comments: I am writing today to express my SUPPORT for SB 769, 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 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 of SB 769. Sincerely, Colleen M. R. Hauptman President Pacific Helicopter Tours, Inc.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 5:31 PM
To: TRE Testimony
Cc: jharter1@aloha.net
Subject: Submitted testimony for SB769 on Feb 13, 2017 14:30PM

SB769

Submitted on: 2/12/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Casey Riemer	Jack Harter Helicopters	Support	No

Comments: I am writing in support of SB 769 which will provide needed parity in tax treatment for all aircraft. 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. We urge you to support SB 769. Casey Riemer General Manager/VP Jack Harter Helicopters PO BOX 306 Lihue, Hawaii 96766

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Testimony in Support of Senate Bill 769

RE: SB 769

Committee Chairman and Committee Members

I am writing in support of Senate Bill 769 which will provided needed parity in tax treatment for all helicopters and with 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 the industry which promotes helicopter travel, as well as helicopter transportation for recreational and medical needs. However, only 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. Please support SB 769.

Thank you,

Eric Lincoln

Blue Hawaiian Helicopters
Director of Operations
1 Airport Road, 105
Kahului, HI 96732
Cell 808-280-4242
Office 808-442-8020
ericlincoln@bluehawaiian.com

My name is Justin Brooke and I am a resident of Maui. I understand the significant and beneficial impact of the tourism industry on our state and especially my community. Senate Bill 769 will provide some much needed tax relief to the helicopter tour industry, the same relief that is already provided to certain types of helicopters and aircraft. More importantly, I want to encourage and support the jobs created and the tax revenues generated by a vibrant tourism sector. Please support S.B. No 769.

Mahalo,

Justin Brooke

State of Hawaii Senate Committee on Transportation & Energy
February 13, 2017; 2:30 p.m.
Support for SB 769, Relating to Taxation
Testimony comments of Gregg Lundberg, Blue Hawaiian Helicopters

Chair Inouye, Vice Chair Dela Cruz and members of the Senate Transportation & Energy Committee, thank you for the opportunity to speak in support of SB 769 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.

SB 769 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

SB 769 is not about giving an advantage to one sector over another, but to bring fairness to sectors of the aviation industry overall. SB 769 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 SB 769, and its intent to keep aviation in Hawaii thriving.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 12, 2017 5:27 PM
To: TRE Testimony
Cc: ross.scott@sunshinehelicopters.com
Subject: Submitted testimony for SB769 on Feb 13, 2017 14:30PM

SB769

Submitted on: 2/12/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Ross Scott	Sunshine Helicopters	Support	No

Comments: Aloha! My name is Ross Scott, President of Sunshine Helicopters with operations on Kauai, Maui and the Big Island. I am writing in STRONG SUPPORT OF SB769. This bill will help to equalize the excise tax on all helicopter tour and aircraft operators. The helicopter tour industry is a significant and important component of the local economy and the tourism experience for residents and visitors. Please support SB 769. Ross Scott President Sunshine Helicopters, Inc.

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P.O. Box 37158, Honolulu, Hawai`i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON TRANSPORTATION AND ENERGY
Senator Lorraine R. Inouye, Chair
Senator Donovan M. Dela Cruz, Vice Chair

DATE: Monday, February 13, 2017
TIME: 2:30pm
PLACE: Conference Room 225

SB 769 RELATING TO TAXATION.

OPPOSE

Aloha Chair Inouye, Vice Chair Dela Cruz, and Members of the 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.

The bill asserts that tourism is booming, that regular plane owners get tax breaks, so why shouldn't other rich people, like helicopter buyers, also get to pay less taxes. A "reverse robin hood" approach.

Why not switch it around, noting that many people are still hurting from the Wall Street induced Economic Meltdown on 2008. Add the tax to regular airplane purchasers, but make it tax neutral, by reducing GET on the lower and middle class.

Mahalo,

Henry Curtis, Executive Director

My name is William Lincoln and I am a resident of Maui. I understand the significant and beneficial impact of the tourism industry on our state and especially my community. Senate Bill 769 will provide some much needed tax relief to the helicopter tour industry, the same relief that is already provided to certain types of helicopters and aircraft. More importantly, I want to encourage and support the jobs created and the tax revenues generated by a vibrant tourism sector. Please support S.B. No 769.

Mahalo.

William Lincoln

777 South Kihei Road, #211

Kihei, Hawaii 96753

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 7:05 PM
To: TRE Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB769 on Feb 13, 2017 14:30PM*

SB769

Submitted on: 2/7/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 8, 2017 6:51 AM
To: TRE Testimony
Cc: Karen@RedwoodGames.com
Subject: Submitted testimony for SB769 on Feb 13, 2017 14:30PM

SB769

Submitted on: 2/8/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Karen Chun	Individual	Oppose	No

Comments: What the heck? So we pay excise tax on food but the fat cats and tourists don't have to pay it on helicopter rides? Who thought up this special interest bill? I oppose.

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 11, 2017 1:12 PM
To: TRE Testimony
Cc: mealaaloha@aol.com
Subject: Submitted testimony for SB769 on Feb 13, 2017 14:30PM

SB769

Submitted on: 2/11/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Daniel Bishop	Individual	Oppose	No

Comments: strongly oppose

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