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STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
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HONOLULU, HAWAII 96813-5097

March 14, 2023
3:00 P.M.
State Capitol, Teleconference

H.B. 74 HD1
RELATING TO THE GENERAL EXCISE TAX

Senate Committee on Transportation and Culture and the Arts

The Department of Transportation (DOT) **supports** this measure that establishes a tax exemption for Aircraft Maintenance providers who install a helicopter noise-canceling technology system on helicopters owned by the taxpayers and operated primarily within the State during the taxable year.

By modernizing the current tax statute to include such exception to the construction of a facility where the service and maintenance of helicopters where no less than 75% are equipped with quiet technology these operators will be included with other aviation operations, all contributing to stakeholders in the state's economy, while supporting quieter operating aircraft in and around our communities.

Reducing costs to providers of service and maintenance through this tax exemption,

Consumer cost will be less allowing local providers to compete with mainland and Canadian service and maintenance providers for the helicopter heavy maintenance checks, thus providing more jobs to local taxpayers.

By application of this tax exemption to providers of servicing and maintenance of helicopters where 75% of the said helicopters are equipped with quiet technology, this encourages installation.

Under HRS 236 24.9, this tax exemption already applies to aircraft with two jet engines -
- and by applying the tax credit local helicopter maintenance jobs will be supported.

Thank you for the opportunity to provide testimony.

JOSH GREEN M.D.
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 74, H.D.1, Relating to the General Excise Tax

BEFORE THE:

Senate Committee on Transportation and Culture and the Arts

DATE: Tuesday, March 14, 2023

TIME: 3:00 p.m.

LOCATION: State Capitol, Room 224

Chair Lee, Vice-Chair Inouye, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 74, H.D.1, for your consideration.

H.B. 74, H.D.1, amends section 237-24.9, Hawaii Revised Statutes (HRS), which provides a general excise tax exemption for amounts received from the servicing and maintenance of aircraft in a service and maintenance facility, or from the construction of a facility that services and maintains aircraft. Specifically, the bill: (1) amends the definition of "aircraft" to include helicopters; (2) amends the definition of "aircraft service and maintenance facilities" to include facilities that service and maintain helicopters in which no less than 75 percent of the helicopters being serviced or maintained are equipped with "quiet technology"; (3) defines the term "quiet technology" as "the use of design, technologies, and structure modifications to rotocraft to reduce or redirect the sound generated by the engine exhaust, tail, or the main rotor, and that reduces the craft's total overall noise level by at least ____ decibels."

The bill has a defective effective date of July 1, 3000, and shall be repealed on December 31, 2028.

The Department notes that it lacks the expertise to make determinations concerning craft noise levels and to verify facility adherence to the proposed parameters for exemption eligibility.

Further, if the measure is amended with an appropriate effective date, the

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H.B. 74, H.D.1
March 14, 2023
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Department requests that the effective date is amended to no earlier than January 1, 2024.

Thank you for the opportunity to provide comments on this measure.



Blue Hawaiian

Senate Committee on Transportation
March 14, 2023

Re: Support for HB 74, HD1 relating to the general excise tax

Aloha Chair Lee, Vice Chair Inouye, and members of the committee!

We are writing to support HB 74, HD1, relating to general excise tax. This measure establishes a five-year general excise tax exemption for servicing and maintaining helicopters in an aircraft service and maintenance facility or from the construction of a facility that services and maintains helicopters where at least 75 percent of the helicopters serviced and maintained annually in the facility are equipped with quiet technology.

This measure seeks to provide tax parity for smaller aviation operators and support the aviation maintenance workforce in Hawaii. It also seeks to promote and reduce aviation noise by applying the maintenance tax credit only to those aircraft using quiet technology. Our state's remote geography requires a reliance on air transportation of many types, including medical operations, air tours and disaster relief. By modernizing the current tax statute to include the maintenance of aircraft with quiet technology these operators will be included with other aviation operations, all contributing stakeholders in the state's economy.

We are recommending that the bill's definition of quiet technology be amended to read:

"Quiet technology" means the use of design, technologies, and structure modifications to rotorcraft to reduce or redirect the sound generated by the engine exhaust, tail, or the main rotor, utilizing either a shrouded tail rotor or removing the tail rotor."

As important as noise reduction and workforce development are in our community, we would be remiss if we did not emphasize that Blue Hawaiian's foremost commitment is to safety.

We urge the legislature to increase the aviation insurance coverage minimums which is another way to encourage the adoption of safety measures. Blue Hawaiian aircraft are equipped with technologies and equipment like Helicopter Terrain Awareness and Warning Systems (HTAWS), automatic dependent surveillance-broadcast (ADS-B), aircraft floats and upgraded with the newest GARMIN glass-cockpit avionics to exceed the federal regulatory requirements for helicopter air tour safety. To further that commitment, Blue Hawaiian Helicopters is the only air tour operator in Hawaii to be a member of the Tour Operators Program of Safety, as well as to also have a Voluntary FAA Safety Management System (SMS) implementation program and an accepted and approved Voluntary FAA Aviation Safety Action Program (ASAP).

Thank you for the opportunity to testify.



March 12, 2023

COMMITTEE ON TRANSPORTATION
AND CULTURE AND THE ARTS

Senator Chris Lee, Chair
Senator Lorraine R. Inouye, Vice Chair

DATE: Wednesday, March 13, 2023
TIME: 3:00 p.m.

Aloha Chair Lee, Vice Chair Inouye, and Committee Members,

Jack Harter Helicopters opposes the proposed changes HB74 would make to Hawaii Revised Statute 237-24.9.

As currently written, HRS 237-24.9 provides an aircraft maintenance facility an exemption from General Excise Taxes (GET) on funds, “received from the servicing and maintenance of aircraft or from the construction of an aircraft service and maintenance facility in the State” as long as the aircraft “operates with two or more jet engines” and the “facility for aircraft service and maintenance that is not less than thirty thousand square feet in area”. It is our understanding that the current GET exemption was enacted to attract the construction and operation of maintenance facilities for large airplanes operated by air carriers servicing the Hawaiian Islands.

The proposed changes to HRS 237-24.9 would extend the tax exemption to operators of helicopters equipped with “quiet technology”. There is no *decibel reduction value* inserted in this bill, so there is no way to determine which aircraft would qualify as quiet technology helicopters. There are currently two helicopter operators in Hawaii that have helicopter fleets of Airbus EC130 helicopters that would potentially meet the required 75% of the fleet requirement in this bill. However, there is no possible way to determine the decibel reduction value of these Airbus EC130 helicopters because they have never been operated without the noise reducing “design, technologies, and structure modifications”.

As written, this bill is flawed because there is generally no way to determine if some of the helicopters with what their manufacturers and operators refer to as “quiet technology”, could qualify for the tax exemption. There are some types of aircraft that could provide the decibel reduction value, but these helicopters are not widely utilized with that technology by helicopter operators in Hawaii because of the reduction in performance that the quiet technology causes.

It is possible to provide a decibel reduction value between aircraft somewhat similar to the Airbus EC130. That aircraft is the Airbus AS350B2 helicopter that many Hawaii helicopter companies operate. According to sound analysis performed for the National Parks Service, the sound produced by the AS350B2 is 3.6 decibels less than the EC130. This is not a significant reduction in sound.

Another reason we oppose HB74 is because it would violate Paragraph 22 of the Federal Aviation Administration's (FAA) Grant Assurances. Paragraph 22 requires that an airport operator that receives grant monies establish policies, rules, rates, and charges that are non-discriminatory to "all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport". By only providing the proposed temporary GET exemption to helicopters with quiet technology, the bill would establish an economic disparity between similar types of aeronautical activities.

If this bill were to be enacted, the State of Hawaii, Department of Transportation would face the likelihood of losing federal funds necessary to operate their airports due to violations of this part of the FAA Grant Assurances. If the bill were to be amended to include all aircraft, our concerns related economic discrimination would be alleviated.

Finally, according to the previously mentioned sound analysis, there are helicopters that do not qualify as "quiet technology" helicopters such as the MD500 and the Robinson R22 and R44 that have lower decibel ratings than the Airbus EC130 "quiet technology" helicopters. If any committee members are interested in learning more about helicopter sound studies, please contact me.

Thank you for considering our testimony and we urge your committee to **oppose passage of HB74** through your committee unless it can be amended to eliminate the discriminatory language that it contains.



Casey Riemer
Special Project Manager

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

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SUBJECT: GENERAL EXCISE, Exemption for Helicopter Repair and Maintenance

BILL NUMBER: HB 74 HD 1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Establishes a five-year general excise tax exemption beginning 1/1/24 for amounts received from the servicing and maintenance of helicopters in an aircraft service and maintenance facility or from the construction of a facility that services and maintains helicopters where at least 75 percent of the helicopters serviced and maintained annually in the facility are equipped with quiet technology. Sunsets 12/31/2028.

The bill seeks to exempt helicopter repair and maintenance from the GET. However, the bill as drafted perpetuates inequity because propeller aircraft would not be so exempted.

SYNOPSIS: Amends section 237-24.9, HRS, by amending the definition “aircraft service and maintenance facility” to include a facility that “services and maintains helicopters and in which no less than seventy-five per cent of the helicopters serviced and maintained annually are equipped with quiet technology.”

Adds a definition of “quiet technology” as “the use of design, technologies, and structure modifications to rotorcraft to reduce or redirect the sound generated by the engine exhaust, tail, or the main rotor, and that reduces the craft's total overall noise level by at least _____ decibels.”

EFFECTIVE DATE: July 1, 3000; to be repealed on December 31, 2028.

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, 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.

In addition, the requirement that 75% of the helicopters serviced and maintained annually be equipped with quiet technology is problematic. The GET is a transaction-based tax, so the facts necessary to apply it need to be known when the transaction happens. Whether the 75% test is met is necessarily unknown until the close of the taxable year.

Re: HB 74 HD1
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Digested: 2/28/2023



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March 14, 2023

Honorable Chris Lee,
Senate Committee on Transportation and Culture and the Arts, Chairman
Hawaii State Capitol, Room 219
Honolulu, HI 96813

TRANSMITTED VIA ELECTRONIC SUBMISSION

RE: HB 74 – RELATING TO THE GENERAL EXCISE TAX– Support if Amended

Dear Chairman Lee:

On behalf of over 1,000 members of the Aircraft Owners and Pilots Association (AOPA) in the state of Hawaii, we are pleased to support HB 74 if amended.

Aircraft maintenance, no matter the type, is expensive and can deter aircraft owners and operators from making essential aircraft repairs. Additionally, the cost of finding suitable mechanics to work on certain aircraft can also be costly – especially in Hawaii where aircraft mechanics are scarce. Providing a meaningful tax incentive to ensure our aircraft are operating safely should be a top concern for policymakers and we applaud your efforts.

AOPA supports HB 74 in concept but would respectfully request that single-engine airplanes also be included in your bill. Ensuring that private single-engine airplanes have viable opportunities to receive maintenance on their aircraft is essential to preserving the safety of flight and reducing engine failures and accidents. Jet aircraft are often capable of flying great distances to locations where those aircraft can receive service and maintenance. Single-engine propellers, or jets, don't have the same range or ability to reach destinations outside of the state.

We hope you and your committee will look favorably on this measure as amended and I look forward to working with you and your staff to address our suggested amendments. Please do not hesitate to contact me for any additional information or suggestions.

Respectfully,

JARED YOSHIKI
Western Pacific Regional Manager