

JAN 19 2024

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# A BILL FOR AN ACT

RELATING TO AN AIRCRAFT SERVICE AND MAINTENANCE TAX CREDIT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the aviation  
2 industry plays many significant roles in the State, including  
3 without limitation, the first responders flown by air to remote  
4 areas in a disaster, the effective use of air medical  
5 transports, ocean and forest search and rescue operations  
6 conducted by helicopter, helicopters used in emergency services  
7 for state or federal disaster, and electric utility operators  
8 that perform surveys and maintain powerlines.

9           The State's general aviation fleet ranges from small,  
10 amateur-built aircraft to large cargo planes with uses ranging  
11 from personal aircraft by recreational pilots to business-owned  
12 aircraft used to transport people, cargo, or both, for business  
13 purposes, as well as specialized activities such as air medical  
14 services, helicopters used in emergency services for state or  
15 federal disaster, aerial applications in agriculture, forestry,  
16 and other industries, and flight training.



1           According to the "Contribution of General Aviation to the  
2 U.S. Economy in 2018" report, general aviation supports four  
3 thousand five hundred jobs in the State, resulting in  
4 \$268,000,000 in labor income and contributing \$879,000,000 to  
5 the State's total economic output annually. According to the  
6 Federal Aviation Administration, the State is home to thirteen  
7 aviation repair stations, three Federal Aviation Administration-  
8 approved pilot schools, 1,255 student pilots, and eight hundred  
9 two flight instructors.

10           The legislature recognizes the importance of supporting and  
11 enhancing the State's ability to support an aviation maintenance  
12 and repair workforce and retain the economic activity of  
13 aviation servicing with the enactment of Act 107, Session Laws  
14 of Hawaii 1997, which provided a general excise tax exemption  
15 that applies exclusively to jet aircraft.

16           Therefore, the State would benefit from supporting and  
17 enhancing the State's aviation maintenance and repair workforce  
18 and retaining the economic activity of aviation servicing for  
19 the general aviation industry.

20           Accordingly, the purpose of this Act is to establish a  
21 five-year aircraft service and maintenance income tax credit



1 beginning January 1, 2025, which is equal to the amount of  
2 general excises taxes paid for qualified expenses from aircraft  
3 service and maintenance during the prior taxable year.

4 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
5 amended by adding a new section to part I to be appropriately  
6 designated and to read as follows:

7 "§235- Aircraft service and maintenance tax credit. (a)

8 There shall be allowed to each qualified taxpayer subject to the  
9 tax imposed under this chapter, an aircraft service and  
10 maintenance income tax credit that shall be deductible from the  
11 taxpayer's net income tax liability and shall, if any, imposed  
12 by this chapter for the taxable year in which the credit is  
13 properly claimed.

14 (b) The amount of the tax credit shall be equal to the  
15 amount of general excise taxes paid on the qualified expenses of  
16 the taxpayer incurred in the taxable year; provided that all  
17 aircraft service and maintenance shall be completed at a  
18 qualifying aircraft service and maintenance facility.

19 (c) The director of taxation:

20 (1) Shall prepare forms as may be necessary to claim a  
21 credit under this section;



1        (2) May require the taxpayer to furnish information to  
2        ascertain the validity of the claim for the tax credit  
3        under this section; and

4        (3) May adopt rules pursuant to chapter 91 necessary to  
5        effectuate the purposes of this section.

6        (d) All of the provisions relating to assessments and  
7        refunds under this chapter and under section 231-23(c)(1) shall  
8        apply to the tax credit under this section.

9        (e) All claims for tax credits under this section,  
10       including any amended claims, shall be filed on or before the  
11       end of the twelfth month following the close of the taxable year  
12       for which the credit may be claimed. Failure to comply with the  
13       foregoing provision shall constitute a waiver of the right to  
14       claim the credit.

15       (f) As used in this section:

16       "Aircraft" means a device that is used or intended to be  
17       used for flight in the air and not more than twelve thousand  
18       pounds maximum certificated take-off weight.

19       "Aircraft service and maintenance" means all scheduled and  
20       unscheduled tasks performed within an aircraft service and  
21       maintenance facility for the inspection, modification,



1 maintenance, and repair of aircraft and related components  
2 including engines, hydraulic and electrical systems, and all  
3 other components that are an integral part of an aircraft.

4 "Aircraft service and maintenance facility" means a  
5 facility for aircraft service and maintenance that is not less  
6 than thirty thousand square feet in area, and which may include  
7 ancillary space that is integral to the facility, such as parts  
8 and inventory warehouse space, tool rooms, and related  
9 administrative and employee space.

10 "Maintenance" means the upkeep of aircraft engines,  
11 hydraulic and electrical systems, and all other components that  
12 are an integral part of an aircraft, but does not include  
13 refueling, janitorial services or cleaning, restocking of  
14 aircraft and passenger supplies, or loading or unloading of  
15 cargo and passenger baggage.

16 "Qualified expenses" means costs that are necessary and  
17 directly incurred by the taxpayer for aircraft service and  
18 maintenance during wildfire relief efforts in the wake of the  
19 August 2023 Maui wildfires, performed at an aircraft service and  
20 maintenance facility within the State that are subject to the  
21 general excise tax under chapter 237."



1 SECTION 3. New statutory material is underscored.

2 SECTION 4. This Act, upon its approval, shall apply to  
3 taxable years beginning after December 31, 2024, and shall be  
4 repealed on December 31, 2029.

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INTRODUCED BY:

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# S.B. NO. 2857

**Report Title:**

Tax Credit; Aircraft Service and Maintenance; General Excise  
Taxes Paid; Qualified Expenses

**Description:**

Establishes a five-year income tax credit for general excises  
taxes paid on qualified aircraft service and maintenance  
expenses of the qualified taxpayer. Sunsets 12/31/2029.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

