

JAN 18 2019

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Hawaii depends heavily on air service for
2 transportation, medical supplies and other medical needs, and
3 commercial goods. As an island state, residents depend on air
4 service for the transport of passengers, goods, and services
5 among islands. Inter-island travel is a key component of
6 Hawaii's tourism industry and stimulates tourism, the largest
7 single contributor to the State's gross domestic product.

8 According to the Hawaii tourism authority, visitors to the
9 State spend in excess of \$1,290,000,000 per month. The
10 legislature finds that there is an increase in the use of
11 helicopters, as well as single engine and propeller aircraft, in
12 the State for travel, recreational, and medical needs. However,
13 despite the significant function of helicopters and other types
14 of aircraft to air travel in the State, only aircraft that
15 operate with two or more jet engines are afforded certain tax
16 exemptions. Due to changes in the aviation industry and
17 increased travel options, tax incentives for aviation businesses



1 must be updated to promote greater inter-island travel options
2 for visitors and residents, as well as to meet the interests of
3 the State.

4 The purpose of this Act is to create equity among the types
5 of aircraft in the State eligible for the aircraft service and
6 maintenance facility general excise tax exemption in section
7 237-24.9, Hawaii Revised Statutes.

8 SECTION 2. Section 237-24.9, Hawaii Revised Statutes, is
9 amended to read as follows:

10 **"§237-24.9 Aircraft service and maintenance facility. (a)**

11 This chapter shall not apply to amounts received from the
12 servicing and maintenance of aircraft or from the construction
13 of an aircraft service and maintenance facility in the State.
14 For aircraft service and maintenance facilities that service
15 helicopters, the exemption provided under this section shall
16 apply only if seventy-five per cent of all helicopters serviced
17 within the aircraft service and maintenance facility are
18 equipped with quiet technology.

19 (b) As used in this section:

20 "Aircraft" means [~~any~~]:



1 (1) Any craft or artificial contrivance of whatever
2 description engaged in intrastate, interstate, or
3 international scheduled commercial use as defined in
4 chapter 263 [~~that operates with two or more jet~~
5 engines.]; or

6 (2) A helicopter.

7 "Aircraft service and maintenance" means all scheduled and
8 unscheduled tasks performed within an aircraft service and
9 maintenance facility for the inspection, modification,
10 maintenance, and repair of aircraft and related components
11 including engines, hydraulic and electrical systems, and all
12 other components which are an integral part of an aircraft.

13 "Aircraft service and maintenance facility" means a
14 facility for aircraft service and maintenance [~~that is not less~~
15 ~~than thirty thousand square feet in area, and which may include~~
16 ~~ancillary space which is integral to the facility, such as parts~~
17 ~~and inventory warehouse space, tool rooms, and related~~
18 ~~administrative and employee space].~~

19 "Construction of an aircraft service and maintenance
20 facility" means all design, engineering, labor, and material
21 costs associated with the construction of facilities the



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1 [{}principal[{}] purpose of which is the provision of facilities
2 for aircraft service and maintenance.

3 "Maintenance" means the upkeep of aircraft engines,
4 hydraulic and electrical systems, and all other components which
5 are an integral part of an aircraft, but does not include
6 refueling, janitorial services or cleaning, restocking of
7 aircraft and passenger supplies, or loading or unloading of
8 cargo and passenger baggage."

9 SECTION 3. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 2019.

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INTRODUCED BY: *Francine R. Sroufe*
Michelle Sidani
Mull
[Signature]

S.B. NO. 656

Report Title:

General Excise Tax; Aircraft; Helicopters; Aircraft Service and Maintenance Facility; Exemption

Description:

Amends definition of "aircraft" to include helicopters and removes qualification of two or more jet engines, thereby expanding the types of aircraft eligible for the aircraft service and maintenance facility general excise tax exemption. Amends the aircraft service and maintenance facility general excise tax exemption to eliminate space requirements and add requirement that seventy-five per cent of helicopters serviced within any aircraft service and maintenance facility are equipped with quiet technology.

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