

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Henry J.C. Aquino, Chair;  
The Honorable Greggor Ilagan, Vice Chair;  
and Members of the House Committee on Transportation

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 10, 2021  
Time: 10:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: H.B. 485, Relating to Taxation**

The Department of Taxation (Department) offers the following comments regarding H.B. 485 for your consideration.

H.B. 485 raises the rental motor vehicle surcharge tax from \$5 per day to \$8 per day. The bill is effective January 1, 2023.

The Department appreciates the delayed effective date, which gives it time to update its forms, instructions, and computer system, and notes that it can administer this bill as drafted.

Thank you for the opportunity to provide comments.



LATE

**TESTIMONY BY:**

JADE T. BUTAY  
DIRECTOR

Deputy Directors  
LYNN A.S. ARAKI-REGAN  
DEREK J. CHOW  
ROSS M. HIGASHI  
EDWIN H. SNIFFEN

**STATE OF HAWAII**  
**DEPARTMENT OF TRANSPORTATION**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 10, 2021  
10:00 A.M.  
State Capitol, Room 423, Teleconference

**H.B. 485**  
**RELATING TO TAXATION**

House Committee on Transportation

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The Department of Transportation (DOT) **supports with comments** this bill which increases the amount of the rental motor vehicle surcharge tax from \$5.00 to \$8.00.

The increase in revenues will provide safer infrastructure enhancements for all users including pedestrians, bicyclists, transit users and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program.

Additionally, the DOT respectfully requests appropriation out of this increased surcharge tax to cover payment of the 5% central services assessment.

From the Airports perspective, the DOT offers the following comments to the bill:

- Any additional fees to on-airport rental car users may decrease rental car transaction days in which customers may opt for another mode of transportation resulting in a reduction of rental transaction days, thus decreasing Customer Facility Charge (CFC) revenues needed to meet current bond covenants, satisfy existing debt service obligations, retain high bond ratings, and ensure the marketability of the next bond issuance to be utilized to complete the construction of the consolidated rental car facility projects at the Daniel K. Inouye Honolulu International and Kahului Airports.
- In addition to future rental car projects at other Hawaii airports, it could also impact rental car concession revenues and risk dilution to potential investors in any future CFC backed bond financing.

Thank you for the opportunity to provide testimony.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: RENTAL MOTOR VEHICLE, Tax Hike

BILL NUMBER: HB 485

INTRODUCED BY: YAMASHITA, DECOITE, HASHIMOTO, ICHIYAMA, ILAGAN, KITAGAWA, MCKELVEY, NAKAMURA, WOODSON, Aquino

EXECUTIVE SUMMARY: Increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8.

SYNOPSIS: Amends section 251-3, HRS, to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8.

EFFECTIVE DATE: 1/1/2023.

STAFF COMMENTS: The proposed measure would add another tax increase and would perpetuate the earmarking of rental motor vehicle and tour vehicle surcharge tax revenues. Yes, our highways and bridges need work, and the fuel tax that now feeds the highway fund has proven to be less stable as more and more consumers start using alternative fuel vehicles, electric vehicles, and hybrids. But does that justify burdening the visitor industry with yet another tax increase and without going through the normal appropriation and budgeting process that also considers sweltering primary schools, underfunded state pensions, or the unique costs of COVID-19 devastation?

Rather than the continual earmarking of revenues, a direct appropriation of general funds would be preferable. Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund highways and bridges, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/6/2021



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Representative Henry Aquino, Chair  
Representative Greggor Ilagan, Vice Chair  
Committee on Transportation

Wednesday, February 10, 2021; 10:00 AM  
Hawaii State Capitol; Via Videoconference

**RE: HB 485 Relating to Taxation - IN OPPOSITION**

Aloha Chair Aquino, Vice Chair Ilagan and Members of the Committee:

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Avis Budget Group appreciates the opportunity to offer testimony in opposition to HB 485, which increases the amount of the rental motor vehicle surcharge tax from \$5.00 to \$8.00, effective January 1, 2023.

In 2019, the Legislature increased the amount of the rental motor vehicle surcharge tax from \$3.00 to \$5.00. In addition to this tax, Hawaii rental car customers pay a rental motor vehicle customer facility charge of \$4.50 per day. The total surcharge amount before GET is among the highest in the country. We believe the industry contributes more than its fair share to the State highway fund with the current surcharge tax. This \$3.00 increase could lead to an overall decline of transaction days, adding to our financial hardship.

Avis Budget Group's Hawaii operations suffered a significant revenue loss in 2020 due to the pandemic. The visitor industry is slowly recovering. While we acknowledge the delayed effective date, we request that the industry be allowed to fully recover before additional fees and increases be considered.

We ask that the committee defer this measure. Thank you.



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 8, 2021

TO: Representative Henry Aquino  
Chair, Committee on Transportation

FROM: Matthew Tsujimura

RE: **H.B. 485, Relating to Taxation**  
**Hearing Date: Wednesday, February 10, 2021 at 10:00 a.m.**  
**Conference Room: 423**

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Dear Chair Aquino, Vice Chair Ilagan, and members of the House Committee on Transportation:

We submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, and Enterprise Commute (Van Pool).

Enterprise **opposes** H.B. 485, which increases the rental motor vehicle surcharge tax from \$5 to \$8.

While Enterprise appreciates the State's need for additional funding, we are very concerned that increasing the surcharge tax will negatively impact an already hurting industry. At the peak of the COVID 19 pandemic, the rental car industry was down 95% and is only now starting to slowly make a recovery that is projected to take several years.

Just two years ago, the Governor signed Act 174 into law which increased the rental motor vehicle surcharge tax from \$3 to \$5 a day. H.B. 485 now proposes to increase the tax another \$3, which would result in the tax nearly tripling over the last three years.

The tax burden on rental cars to support the highway fund is already quite disproportionate to what other vehicles pay. While rental cars only comprise about 5% of the total vehicles in the State, the \$5 per day surcharge represents approximately 26% of the total funds in the highway special fund. And right now, that reliance on rental car revenue is hurting the highway fund because of the significant decrease in revenues due to the pandemic.

Enterprise supports the Department of Transportation's efforts to improve the safety and functionality of Hawaii's highways. However, Enterprise is concerned that H.B. 485 places too high a burden on the rental car industry.

Thank you for the opportunity to submit testimony on this bill.