

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 3196
H.D. 1
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 3196, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX,"

begs leave to report as follows:

The purpose of this measure is to provide an unspecified amount of rental motor vehicle surcharge taxes on rental motor vehicles in an effort to generate funds for the State Highway Fund.

Testimony in support of this measure was submitted by the Department of Taxation and the Department of Transportation. Testimony in opposition of this measure was submitted by the Avis Budget Group, Inc., The Hertz Corporation, Enterprise Rent-A-Car Company of Hawaii, Alamo Rent A Car Company of Hawaii, and National Car Rental Company of Hawaii. Comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that thousands of visitors and residents rent motor vehicles each month, which generates additional funds for the Department of Transportation to operate and maintain the state highway system. Your Committee believes that it is vital to charge a rental motor vehicle surcharge tax that is fair to the visitor and resident consumers and that still provides adequate moneys to the State Highway Fund.



Your Committee has amended this measure by requiring the Department of Transportation to report on additional revenue-generating initiatives that will replenish the State Highway Fund no later than twenty days prior to the convening of the Regular Session of 2009.

The Department of Taxation reported that this measure has an indeterminable revenue impact on the State because there is an unspecified dollar amount for the rental motor vehicle surcharge tax. However, assuming that the rental motor vehicle surcharge tax is \$3 per day, the State Highway Fund will increase by \$13,300,000 in fiscal year 2009, and \$16,000,000 in fiscal year 2010 and thereafter. Their methodology is as follows:

The \$3 per day rental motor vehicle surcharge tax currently yields approximately \$48,000,000 each year. That total includes the taxes assessed against tour buses and vans, even though those taxes account for less than one per cent of the annual totals. An increase of \$1 per day would yield an additional \$16,000,000 each year.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3196, H.D. 1, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 3196, H.D. 1, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* <i>HB 3196 HD1 501</i>	Committee Referral: <i>CPH, EDT, WAM</i>	Date: <i>3/18/08</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
TOTAL	<i>4</i>			<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Will Espero</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes