
A BILL FOR AN ACT

RELATING TO MOTOR VEHICLE RENTAL INDUSTRY.

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

1 SECTION 1. The legislature finds that a healthy and robust
2 rental car industry is vital to Hawaii's tourism economy and
3 supports tourism as an integral part of Hawaii's transportation
4 infrastructure. Although current law permits rental car
5 companies to recover from rental car customers certain mandatory
6 government fees paid by the companies to make rental vehicles
7 road-ready, the prorated formula is calculated over a period of
8 three hundred sixty-five days, which results in a significant
9 portion of the fees going unrecovered. Rental car companies
10 incur a shortfall in collections under current law, which
11 hinders their ability to provide a selection of rental cars to
12 customers, many of which are tourists who want to explore areas
13 of the State that require a rental car.

14 The legislature also finds that many other states have laws
15 permitting rental car companies to pass on to consumers an
16 amount closer to the full recovery of mandatory government fees.



1 The purpose of this Act is to amend the prorated amount of
2 vehicle license and registration fee and weight taxes that
3 rental car companies are allowed to pass on to lessees.

4 SECTION 2. Section 437D-8.4, Hawaii Revised Statutes, is
5 amended by amending subsection ((a)) to read as follows:

6 "**§437D-8.4 License and registration fees.** (a)

7 Notwithstanding any law to the contrary, a lessor may visibly
8 pass on to a lessee:

9 (1) The general excise tax attributable to the
10 transaction;

11 (2) The vehicle license and registration fee and weight
12 taxes, prorated at [~~1/365th~~] _____ of the annual
13 vehicle license and registration fee and weight taxes
14 actually paid on the particular vehicle being rented
15 for each full or partial twenty-four-hour rental day
16 that the vehicle is rented; provided the total of all
17 vehicle license and registration fees charged to all
18 lessees shall not exceed the annual vehicle license
19 and registration fee actually paid for the particular
20 vehicle rented;



- 1 (3) The surcharge taxes imposed in chapter 251
- 2 attributable to the transaction;
- 3 (4) The county surcharge on state tax under section 46-
- 4 16.8; provided that the lessor itemizes the tax for
- 5 the lessee; and
- 6 (5) The rents or fees paid to the department of
- 7 transportation under concession contracts negotiated
- 8 pursuant to chapter 102, service permits granted
- 9 pursuant to title 19, Hawaii Administrative Rules, or
- 10 rental motor vehicle customer facility charges
- 11 established pursuant to section 261-7; provided that:
- 12 (A) The rents or fees are limited to amounts that can
- 13 be attributed to the proceeds of the particular
- 14 transaction;
- 15 (B) The rents or fees shall not exceed the lessor's
- 16 net payments to the department of transportation
- 17 made under concession contract or service permit;
- 18 (C) The lessor submits to the department of
- 19 transportation and the department of commerce and
- 20 consumer affairs a statement, verified by a
- 21 certified public accountant as correct, that

1 reports the amounts of the rents or fees paid to
2 the department of transportation pursuant to the
3 applicable concession contract or service permit:
4 (i) For all airport locations; and
5 (ii) For each airport location;
6 (D) The lessor submits to the department of
7 transportation and the department of commerce and
8 consumer affairs a statement, verified by a
9 certified public accountant as correct, that
10 reports the amounts charged to lessees:
11 (i) For all airport locations;
12 (ii) For each airport location; and
13 (iii) For each lessee;
14 (E) The lessor includes in these reports the
15 methodology used to determine the amount of fees
16 charged to each lessee; and
17 (F) The lessor submits the above information to the
18 department of transportation and the department
19 of commerce and consumer affairs within three
20 months of the end of the preceding annual
21 accounting period or contract year as determined



1 by the applicable concession agreement or service
2 permit.

3 The respective departments, in their sole discretion,
4 may extend the time to submit the statement required
5 in this subsection. If the director determines that
6 an examination of the lessor's information is
7 inappropriate under this subsection and the lessor
8 fails to correct the matter within ninety days, the
9 director may conduct an examination and charge a
10 lessor an examination fee based upon the cost per hour
11 per examiner for evaluating, investigating, and
12 verifying compliance with this subsection, as well as
13 additional amounts for travel, per diem, mileage, and
14 other reasonable expenses incurred in connection with
15 the examination, which shall relate solely to the
16 requirements of this subsection, and which shall be
17 billed by the departments as soon as feasible after
18 the close of the examination. The cost per hour shall
19 be \$40 or as may be established by rules adopted by
20 the director. The lessor shall pay the amounts billed
21 within thirty days following the billing. All moneys



1 collected by the director shall be credited to the
2 compliance resolution fund."

3 SECTION 3. No later than twenty days prior to the
4 convening of the regular session of 2019, the motor vehicle
5 rental industry shall report to the legislature on the effect of
6 this Act on the average vehicle license recovery fee charged to
7 each customer on each motor vehicle rental, the profit margin of
8 each motor vehicle rental, and the actual time in service of
9 each motor vehicle rental.

10 For purposes of this section, "vehicle license recovery
11 fee" includes motor vehicle weight taxes under section 249-2,
12 Hawaii Revised Statutes; fees connected with registration of
13 specially constructed, reconstructed, or rebuilt vehicles as
14 referenced under section 286-41(c), Hawaii Revised Statutes;
15 fees connected with the registration of special interest
16 vehicles as defined in section 286-2, Hawaii Revised Statutes;
17 fees connected with the registration of imported vehicles as
18 referenced in section 286-41(c), Hawaii Revised Statutes;
19 license plate fees under section 249-7(b), Hawaii Revised
20 Statutes; and any use tax under chapter 238, Hawaii Revised
21 Statutes.



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on March 1, 2050;
4 provided that the amendments made to section 437D-8.4(a), Hawaii
5 Revised Statutes, by section 2 of this Act shall not be repealed
6 when that section is reenacted on December 31, 2027, pursuant to
7 section 9 of Act 247, Session Laws of Hawaii 2005, as amended by
8 section 7 of Act 240, Session Laws of Hawaii 2015.



Report Title:

Motor Vehicle Rentals; Pass-On Costs

Description:

Amends the prorated amount of vehicle license and registration fee and weight taxes that rental car companies may pass on to lessees. Requires the motor vehicle rental industry to report to the legislature prior to the regular session of 2019 and defines vehicle license recovery fee for purposes of the report. Effective 3/1/2050. (SD2)

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