

Honolulu, Hawaii

APR 07 2017

RE: H.B. No. 735
H.D. 2
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 735, H.D. 2, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to amend the prorated amount of vehicle license and registration fees and weight taxes that rental car companies may pass on to lessees.

In addition, this measure:

- (1) Requires the motor vehicle rental industry to report to the Legislature prior to the Regular Session of 2019; and
- (2) Defines "vehicle license recovery fee" for the purposes of the report.

Your Committee received written comments in support of this measure from the Department of Transportation, Enterprise Holdings, American Car Rental Association, Avis Budget Group, and the Chamber of Commerce Hawaii.



Your Committee received written comments in opposition to this measure from the Office of Consumer Protection.

Your Committee finds that although current law permits rental car companies to recover from rental car customers certain mandatory government fees paid by the companies to make the rental vehicles road-ready, the prorated formula is calculated over a period of three hundred sixty-five days, which results in a significant portion of the fees going unrecovered. In addition, the categories of government fees that the companies are permitted to collect do not reflect the total fees paid by rental car companies. Rental car companies thus incur a shortfall in collections under the existing law. Your Committee further finds that many states have laws permitting rental car companies to pass on to consumers an amount closer to the full recovery of these mandatory government fees.

Your Committee has amended this measure by:

- (1) Expanding the definition of "vehicle license recovery fees" by changing "fee" to "fees" and including inspection fees and highway beautification fees;
- (2) Codifying the definition of "vehicle license recovery fees" within chapter 437D, Hawaii Revised Statutes; and
- (3) Allowing lessors to pass on to lessees a prorated amount of vehicle license recovery fees, rather than only registration and weight taxes.

Your Committee notes that this measure is a work in progress, and much needs to be done to achieve a workable final conference draft. Specifically, your Committee requests that, if a Committee on Conference is convened to consider this measure, it determine the appropriate amount of pro rated vehicle license recovery fees that lessors may pass on to lessees. Your Committee notes that several rental car companies suggested 1/292 as an appropriate amount. The companies testified that this fraction reflects the average amount of time each year that motor vehicles are actually rented.

Your Committee also requests the Committee on Conference to consider whether amendments should be made to:



- (1) Make the reporting requirement imposed by section 3 of this measure more relevant and reasonable; and
- (2) Clarify exactly which organization is responsible for preparing and submitting the required report to the Legislature.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 735, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 735, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

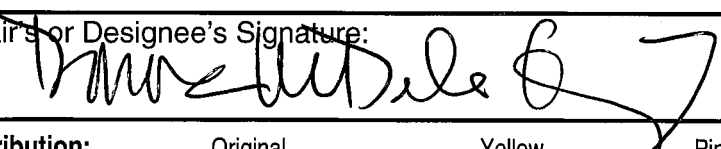


JILL N. TOKUDA, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB 735, HD2, SD1	Committee Referral: TRE/CPH, WAM	Date: 4/3/17		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i	/			
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn	/			
TOTAL	11			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes