
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.

17 The purpose of this Act is to amend the prorated amount of
18 vehicle license and registration fee and weight taxes that



1 rental car companies are allowed to pass on to lessees, and to
2 expand the categories of government fees that the companies are
3 permitted to collect.

4 SECTION 2. Section 437D-3, Hawaii Revised Statutes, is
5 amended by adding a new definition to be appropriately inserted
6 and to read as follows:

7 "Vehicle license recovery fees" includes motor vehicle
8 weight taxes under section 249-2; fees connected with the
9 registration of specially constructed, reconstructed, or rebuilt
10 vehicles, special interest vehicles, or imported vehicles as
11 referenced in section 286-41(c); license plate and emblem fees
12 under section 249-7(b); inspection fees as referenced in section
13 286-26; highway beautification fees as referenced in section
14 286-51(b)(1); and any use tax under chapter 238."

15 SECTION 3. Section 437D-8.4, Hawaii Revised Statutes, is
16 amended by amending subsection (a) to read as follows:

17 "(a) Notwithstanding any law to the contrary, a lessor may
18 visibly pass on to a lessee:

19 (1) The general excise tax attributable to the
20 transaction;



- 1 (2) The vehicle license [~~and registration fee and weight~~
2 ~~taxes,~~] recovery fees, prorated at [~~1/365th~~] 1/292nd
3 of the annual vehicle license [~~and registration fee~~
4 ~~and weight taxes~~] recovery fees actually paid on the
5 particular vehicle being rented for each full or
6 partial twenty-four-hour rental day that the vehicle
7 is rented; provided the total of all vehicle license
8 [~~and registration fees~~] recovery fees charged to all
9 lessees shall not exceed the annual vehicle license
10 [~~and registration fee~~] recovery fees actually paid for
11 the particular vehicle rented;
- 12 (3) The surcharge taxes imposed in chapter 251
13 attributable to the transaction;
- 14 (4) The county surcharge on state tax under section 46-
15 16.8; provided that the lessor itemizes the tax for
16 the lessee; and
- 17 (5) The rents or fees paid to the department of
18 transportation under concession contracts negotiated
19 pursuant to chapter 102, service permits granted
20 pursuant to title 19, Hawaii Administrative Rules, or



1 rental motor vehicle customer facility charges
2 established pursuant to section 261-7; provided that:
3 (A) The rents or fees are limited to amounts that can
4 be attributed to the proceeds of the particular
5 transaction;
6 (B) The rents or fees shall not exceed the lessor's
7 net payments to the department of transportation
8 made under concession contract or service permit;
9 (C) The lessor submits to the department of
10 transportation and the department of commerce and
11 consumer affairs a statement, verified by a
12 certified public accountant as correct, that
13 reports the amounts of the rents or fees paid to
14 the department of transportation pursuant to the
15 applicable concession contract or service permit:
16 (i) For all airport locations; and
17 (ii) For each airport location;
18 (D) The lessor submits to the department of
19 transportation and the department of commerce and
20 consumer affairs a statement, verified by a



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

16 The respective departments, in their sole discretion,
17 may extend the time to submit the statement required
18 in this subsection. If the director determines that
19 an examination of the lessor's information is
20 inappropriate under this subsection and the lessor
21 fails to correct the matter within ninety days, the



1 director may conduct an examination and charge a
2 lessor an examination fee based upon the cost per hour
3 per examiner for evaluating, investigating, and
4 verifying compliance with this subsection, as well as
5 additional amounts for travel, per diem, mileage, and
6 other reasonable expenses incurred in connection with
7 the examination, which shall relate solely to the
8 requirements of this subsection, and which shall be
9 billed by the departments as soon as feasible after
10 the close of the examination. The cost per hour shall
11 be \$40 or as may be established by rules adopted by
12 the director. The lessor shall pay the amounts billed
13 within thirty days following the billing. All moneys
14 collected by the director shall be credited to the
15 compliance resolution fund."

16 SECTION 4. No later than twenty days prior to the
17 convening of the regular session of 2019, the motor vehicle
18 rental industry shall report to the legislature on the effect of
19 this Act on the average vehicle license recovery fee charged to
20 each customer on each motor vehicle rental and the average time
21 in service of each motor vehicle rental.



1 SECTION 5. Beginning March 1, 2019, all rental car
2 companies shall submit an annual audit, to be conducted by a
3 third party certified public accountant, to the office of
4 consumer protection of the department of commerce and consumer
5 affairs by July 1 of every year.

6 SECTION 6. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 7. This Act shall take effect on July 1, 2017;
9 provided that the amendments made to section 437D-8.4(a), Hawaii
10 Revised Statutes, by section 3 of this Act shall not be repealed
11 when that section is reenacted on December 31, 2027, pursuant to
12 section 9 of Act 247, Session Laws of Hawaii 2005, as amended by
13 section 7 of Act 240, Session Laws of Hawaii 2015.



Report Title:

Motor Vehicle Rentals; Pass-on Costs

Description:

Defines vehicle license recovery fees. Expands the base of government fees and taxes that a motor vehicle lessor may pass on to a lessee on a prorated basis to be the vehicle license recovery fees. Amends the prorated amount of vehicle license recovery fees that rental car companies may pass on to lessees. Requires all rental car companies to submit an annual audit to the Office of Consumer Affairs. Requires the motor vehicle rental industry to report to the legislature prior to the regular session of 2019. (HB735 CD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

