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

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

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

20           (3) The surcharge taxes imposed in chapter 251  
21 attributable to the transaction;



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



1           the department of transportation pursuant to the  
2           applicable concession contract or service permit:  
3           (i) For all airport locations; and  
4           (ii) For each airport location;  
5       (D) The lessor submits to the department of  
6           transportation and the department of commerce and  
7           consumer affairs a statement, verified by a  
8           certified public accountant as correct, that  
9           reports the amounts charged to lessees:  
10          (i) For all airport locations;  
11          (ii) For each airport location; and  
12          (iii) For each lessee;  
13       (E) The lessor includes in these reports the  
14           methodology used to determine the amount of fees  
15           charged to each lessee; and  
16       (F) The lessor submits the above information to the  
17           department of transportation and the department  
18           of commerce and consumer affairs within three  
19           months of the end of the preceding annual  
20           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. (SD1)

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

