

Honolulu, Hawaii

MAR 24 2006

RE: H.B. No. 2214
H.D. 1
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Transportation and Government Operations and Commerce, Consumer Protection, and Housing, to which was referred H.B. No. 2214, H.D. 1, entitled:

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

beg leave to report as follows:

The purpose of this measure is to reduce the \$3 per day rental motor vehicle surcharge tax to \$2 per day.

This measure also clarifies that the retention by the lessor of motor vehicle repair records of the lessee is satisfied by retention by the motor vehicle repair dealer.

Your Committees received testimony in support of this measure from Catrala-Hawaii. Testimony in opposition was received from the Department of Taxation and Department of Transportation. Comments were received from the Tax Foundation of Hawaii.

Enacted by Act 263, Session Laws of Hawaii 1991, the rental motor vehicle surcharge tax was originally \$2 per day. Act 223, Session Laws of Hawaii 1999, temporarily raised this tax to \$3 per day for the period from September 1, 1999, to August 31, 2007. Your Committees are concerned that the \$3 daily surcharge tax on rental motor vehicles could adversely affect Hawaii's competitive image as a fair and attractive tourist destination.



Your Committees find that there was a significant increase in revenues to the state general fund in 2005. This increase is expected to continue through 2007 and probably longer in view of Hawaii's positive tourism outlook. In light of a healthy general fund along with significant increases in revenues to the state highway fund, your Committees believe that it is fair and appropriate to reduce the rental motor vehicle surcharge tax.

Your Committees have amended this measure by changing the effective date to July 1, 2006.

As affirmed by the records of votes of the members of your Committees on Transportation and Government Operations and Commerce, Consumer Protection, and Housing that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2214, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2214, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Transportation
and Government Operations and
Commerce, Consumer Protection,
and Housing,



RON MENOR, Chair



LORRAINE R. INOUE, Chair



