

STAND. COM. REP. NO. 1697

Honolulu, Hawaii

A-03, 2007

RE: H.C.R. No. 168  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committees on Consumer Protection & Commerce and  
Economic Development & Business Concerns, to which was referred  
H.C.R. No. 168 entitled:

"HOUSE CONCURRENT RESOLUTION REQUESTING THE DEPARTMENT OF  
TAXATION TO STUDY WHETHER LEASES BETWEEN RELATED ENTITIES IN  
THE CAR RENTAL INDUSTRY SHOULD BE SUBJECT TO HAWAII'S GENERAL  
EXCISE TAX,"

beg leave to report as follows:

The purpose of this concurrent resolution is to request the  
Department of Taxation (DoTax) to study whether leases between  
related entities in the car rental industry should be exempt from  
Hawaii's general excise tax (GET) under section 237-23.5, Hawaii  
Revised Statutes (HRS), which provides a GET exemption for certain  
transactions between related entities.

The Hertz Corporation testified in support of this measure.  
DoTax, National Car Rental, Alamo Car Rental, Dollar Rent a Car,  
and Thrifty Car Rental submitted comments.

Some rental car companies finance their vehicles through a  
special purpose financing entity owned by the company, that issues  
debt instruments secured by the rental vehicles. The vehicles are  
then leased to a car rental agency, owned by the same company,  
that rents the vehicles to consumers. These lease transactions  
between related car rental entities are currently subject to the  
GET, in addition to the lease transactions between the car rental

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agency and consumers, even though the car rental agency and special purpose financing entity are owned by the same company.

While this measure seeks to address this issue by requesting DoTax to study whether leases between related car rental entities should be subject to the GET, concerns have been raised as to whether DoTax would be the appropriate agency to determine whether the GET exemption under section 237-23.5, HRS, applies to leases between related car rental entities.

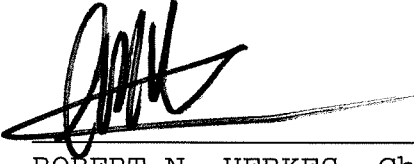
Accordingly, your Committees have amended this measure by:

- (1) Amending the title to read: "REQUESTING THE DEPARTMENT OF THE ATTORNEY GENERAL TO DETERMINE WHETHER LEASES BETWEEN RELATED CAR RENTAL ENTITIES ARE EXEMPT FROM THE GENERAL EXCISE TAX AND IF SO, REQUESTING DOTAX TO APPLY THE EXEMPTION";
- (2) Substituting the Department of the Attorney General for DoTax as the agency requested to conduct the study; and
- (3) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Economic Development & Business Concerns that are attached to this report, your Committees concur with the intent and purpose of H.C.R. No. 168, as amended herein, and recommend that it be referred to the Committee on Finance, in the form attached hereto as H.C.R. No. 168, H.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committees on Consumer  
Protection & Commerce and  
Economic Development & Business  
Concerns,

  
KYLE T. YAMASHITA, Chair

for:   
ROBERT N. HERKES, Chair

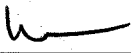
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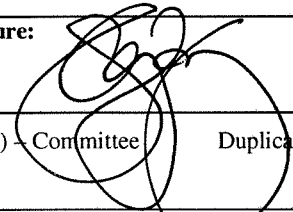
Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HCR 168		Date: March 28, 2007		
Committee Referral: CPC/EDB, FIN		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Pass, with amendments, for recommitment for further consideration				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. HERKES, Robert N. (C)	X			
2. McKELVEY, Angus L.K. (VC)	X			
3. CALDWELL, Kirk		X		
4. EVANS, Cindy	X			
5. GREEN, Josh, M.D.				X
6. ITO, Ken				X
7. LUKE, Sylvia				X
8. MORITA, Hermina M.				X
9. SONSON, Alex M.				X
10. SOUKI, Joseph M.		X		
11. TSUJI, Clift	X			
12. YAMANE, Ryan I.	X			
13. YAMASHITA, Kyle T.	X			
14. MARUMOTO, Barbara C.	X			
15. THIELEN, Cynthia	X			
<b>TOTAL</b>	<b>8</b>	<b>2</b>		<b>5</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
 Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee      Duplicate (Yellow) – HMSO      Duplicate (Pink) – Clerk's Office				

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<input type="checkbox"/> Hold		<input type="checkbox"/> Pass, with amendments, for recommittal for further consideration		
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)	✓			
2. WAKAI, Glenn (VC)	✓			
3. BERG, Lyla B., Ph.D.				✓
4. BROWER, Tom				✓
5. CHANG, Jerry L.	✓			
6. HANOHANO, Faye P.		✓		
7. HERKES, Robert N.	✓			
8. MANAHAN, Joey				✓
9. TSUJI, Clift	✓			
10. YAMANE, Ryan I.	✓			
11. CHING, Corinne W.L.				✓
12. MARUMOTO, Barbara C.	✓			
<b>TOTAL</b>	7	1	0	4
<b>The recommendation is:</b>				
<input checked="" type="checkbox"/> Adopted				
<input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
<b>Vice Chair's or designee's signature:</b>				
				
<b>Distribution:</b> Original (White) - Committee Duplicate (Yellow) - Clerk's Office				