

STAND. COM. REP. NO. 1696

Honolulu, Hawaii

A-103, 2007

RE: H.R. No. 133
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.R. No. 133 entitled:

"HOUSE 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 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.R. No. 133, as amended herein, and recommend that it be referred to the Committee on Finance, in the form attached hereto as H.R. No. 133, 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



