

Honolulu, Hawaii

Feb 5, 2008

RE: H.B. No. 3196  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 3196 entitled:

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

begs leave to report as follows:

The purpose of this bill is to maintain one source of revenue stream for the State Highway Fund (FUND) by permanently increasing the rental motor vehicle surcharge tax to \$3 per day.

The Department of Transportation (DOT) and Department of Taxation supported this bill. Catrala-Hawaii supported the bill with amendments. The Tax Foundation of Hawaii submitted comments.

Act 223, Session Laws of Hawaii 1999, temporarily raised the motor vehicle rental surcharge tax from \$2.00 to \$3.00 per day to bolster lagging highway fund revenues during difficult economic times. Although the economy has generally improved since that time, FUND revenues have not kept pace with expenditures for the operation, maintenance, and construction of state highways. This is due in part to rising fuel costs and decreasing fuel consumption that has resulted in decreased fuel tax revenues. With recent economic indicators suggesting a softening economy, which in turn may lead to difficulty in the generation of revenues for the FUND, prudent action needs to be taken to maintain FUND revenue levels. According to DOT, the additional surcharge provides



approximately \$14 million in annual revenues for the FUND and loss of this revenue stream will have a serious impact on Hawaii's highways.

However, when the surcharge was enacted, it was not meant to be permanent. Your Committee finds that other solutions must be found to meet the financial needs of the FUND and future needs for additional revenues. Accordingly, your Committee has amended this measure by:

- (1) Extending the \$1 increase in the rental motor vehicle surcharge tax for an additional year rather than making it a permanent increase;
- (2) Requiring DOT to conduct a review and study of the financial requirements of the FUND; and
- (3) Requiring DOT to report its findings, and proposed legislation for increasing revenue sources for the FUND to meet its ongoing and future needs, prior to the start of the Regular Session of 2009.

Other technical, nonsubstantive amendments have been made for consistency, and style.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3196, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3196, H.D. 1, and be referred to the Committees on Tourism & Culture and Economic Development & Business Concerns.

Respectfully submitted on  
behalf of the members of the  
Committee on Transportation,



JOSEPH M. SOUKI, Chair



