

Honolulu, Hawaii

March 14, 2008

RE: S.B. No. 2501  
S.D. 2  
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 S.B. No. 2501, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill is to make permanent one source of revenue stream for the State Highway Fund (Fund) by repealing the specific dollar amounts of the daily rental motor vehicle surcharge tax and replacing them with an unspecified daily rate.

The Department of Transportation (DOT) testified in support of this bill. The Department of Taxation supported the intent of this measure. Catrala-Hawaii, Enterprise Rent-A-Car Company of Hawaii, Avis Rent a Car, and The Hertz Corporation in Hawaii supported this bill with amendments.

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 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 resulting 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. Therefore, your Committee does not believe that making the rental motor vehicle surcharge tax permanent is a prudent approach to solving a complex problem. Thus, your Committee has amended this measure by deleting its contents and replacing it with language contained in H.B. No. 3196. As amended, this bill:

- (1) Extends the \$1 increase in the rental motor vehicle surcharge tax for an additional year;
- (2) Requires DOT to conduct a review and study of the financial requirements of the Fund; and
- (3) Requires 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 S.B. No. 2501, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2501, S.D. 2, 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,

  
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JOSEPH M. SOUKI, Chair



