

STAND. COM. REP. NO.

2044

Honolulu, Hawaii

FEB 04 2008

RE: S.B. No. 2501  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and  
Affordable Housing, to which was referred S.B. No. 2501 entitled:

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

begs leave to report as follows:

The purpose of this measure is to continue to provide a  
revenue stream to the state highway fund by extending the sunset  
date of the rental motor vehicle surcharge tax at \$3 per day from  
August 31, 2008 to August 31, 2010.

Testimony in support of this measure was submitted by the  
Department of Transportation and Catrala-Hawaii.

Under section 251-2, Hawaii Revised Statutes, a rental motor  
vehicle surcharge tax is levied and collected each month of \$3 per  
day, or any portion of a day that a rental motor vehicle is rented  
or leased for the period of September 1, 1999, to August 31, 2008.  
The rental motor vehicle surcharge tax collected each month is  
deposited into the state highway fund under section 248-9, Hawaii  
Revised Statutes, which is used to pay for the costs of operation,  
maintenance, improvements, and repair of the state highway system.  
Thousand of visitors and residents rent motor vehicles each month,  
which generates additional funds for the Department of  
Transportation to operate and maintain the state highway system.  
Your Committee finds that while extending the sunset date of  
August 31, 2008 to August 31, 2010 will provide additional  
revenues to the state highway fund for two more years, it believes

2008-1011 SSCR SMA-1.doc



that repealing the sunset date and making the \$3 per day surcharge tax permanent will allow these additional revenues to continue on a permanent basis.

Accordingly, your Committee has amended this measure by:

- (1) Repealing the sunset date of August 31, 2008;
- (2) Repealing the rental motor vehicle surcharge tax of \$2 per day to ensure that the surcharge tax remains at \$3 per day; and
- (3) Making technical, nonsubstantive amendments for the purposes of style.

Your Committee notes the concerns from rental car companies in the State regarding the rental motor vehicle surcharge tax of \$3 per day as being a discriminatory tax against visitors to the State. However, your Committee recognizes that there are many residents who rent motor vehicles on a regular-basis when traveling and attending to business on the neighbor islands, or who are in need of an extra car. Thus, the surcharge tax is levied on every individual renting a motor vehicle, regardless of whether the individual is a visitor or resident.

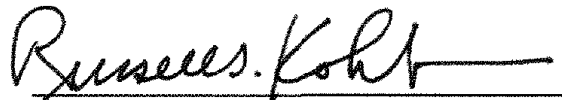
Your Committee further notes that a study done in 2004 indicated that the national average of rental motor vehicle surcharge taxes is \$6 per day, and recognizes that this average may have risen since 2004. The Department of Transportation indicated to your Committee that while Hawaii's surcharge tax rate is comparatively lower than the national average, there are several factors that affect the rental motor vehicle surcharge tax rate among states. However, the Department would be amenable to a higher surcharge tax rate as this would increase the amount of moneys in the state highway fund. Your Committee believes that the appropriate rental motor vehicle surcharge tax rate merits further discussion by the Committee on Economic Development and Taxation and the Committee on Ways and Means.

Your Committee believes that establishing the rental motor vehicle surcharge tax rate at \$3 per day on a permanent-basis fulfills the intent of this measure, which is to continue to provide additional revenues to the state highway fund.



As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2501, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2501, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce, Consumer  
Protection, and Affordable  
Housing,



RUSSELL S. KOKUBUN, Chair



