



**The Chamber of  
Commerce of Hawaii**

Since 1850

TESTIMONY TO THE HOUSE COMMITTEES ON PUBLIC SAFETY & MILITARY AFFAIRS  
AND TRANSPORTATION  
THURSDAY, FEBRUARY 7, 2008  
8:30 A.M. IN ROOM 309

Re: HB 2605 RELATING TO THE ARMED SERVICES

Chairs Evans and Souki, Vice Chairs Har and Nishimoto, and Members of the Committees:

My name is Charlie Ota and I am the Vice President of the Military Affairs Department of The Chamber of Commerce of Hawaii. The Department oversees the Military Affairs Council (MAC) which serves as a liaison seeking solutions to issues of common concern to the military, private sector, and state.

The MAC submits testimony in support of House Bill 2605, relating to the Armed Services, which proposes to provide an exemption of vehicle taxes and registration fees for members of the National Guard and Reserves. This exemption is similar to the exemption extended nonresident military personnel under the federal Soldiers and Sailors Civil Relief Act.

The US military has undergone a transformation that has resulted in creating a single military force consisting of active duty, reserve, and guard units. Hawaii residents have witnessed this transformation as thousands of Hawaii's National Guards and reserve members have deployed and will continue to deploy in fighting the ongoing global war against terrorism. This bill will result in providing an equal vehicle tax and registration fee exemptions to all members of the US armed forces in Hawaii.

In light of the above, the MAC strongly recommends approval of HB 2605 as written.

STATE OF HAWAII  
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 2605  
A BILL FOR AN ACT RELATING TO THE ARMED SERVICES

PRESENTATION TO THE  
HOUSE COMMITTEE ON PUBLIC SAFETY AND MILITARY AFFAIRS  
AND  
HOUSE COMMITTEE ON TRANSPORTATION

BY

MAJOR GENERAL ROBERT G. F. LEE  
ADJUTANT GENERAL  
February 7, 2008

Chair Evans, Chair Souki, and Committee Members:

I am Major General Robert G. F. Lee, State Adjutant General. I am testifying on House Bill 2605. This bill exempts members of the National Guard, military reserve, or armed service, including the Coast Guard from State and county vehicular taxes and fees for non-commercial vehicles.

We support the intent and motive behind this measure, but we would prefer the Administration's submission of House Bill 3114 relating to motor vehicles.

If House Bill 3114 is passed, it exempts good standing members of the National Guard, reserves, or armed services, including the Coast Guard from county vehicular taxes and fees for their privately owned vehicles. We concur that this measure should be applicable to personal vehicles owned by our military members and not to commercial vehicles.

Passage of House Bill 3114 would strongly indicate to the members of the Guard, reserves, or armed services, including the Coast Guard, especially those that recently returned from Iraq and Afghanistan that Hawaii truly cares and supports their duty to State and nation. Incentives and benefits such as this exemption would certainly influence our highly trained and experienced soldiers to remain in the Reserve Components, active military, and the Coast Guard, and would also assist in our recruiting program. It has always been our intent to

exempt all individuals of the guard, reserves, active military, and Coast Guard from the fees and registration as long as they are good standing members throughout their military career. The administration fully supports our military members for their support in our nation's war on terrorism and our state during disasters.

Chair Evans, Chair Souki, this concludes my testimony. Are there any questions?

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** MOTOR VEHICLE, Exempt vehicles of Hawaii national guard and reserves

**BILL NUMBER:** SB 3036; HB 3114 (Identical); SB 2448; HB 2605 (Identical)  
*ICM/ps*

**INTRODUCED BY:** SB 3036 by Hanabusa by request; HB 3114 by Say by request; SB 2448 by Inouye and 4 Democrats; HB 2605 by Evans and 1 Democrat

**BRIEF SUMMARY:** Adds a new section to HRS chapter 249 to provide that passenger motor vehicles owned by members of the national guard, reserves and active duty members of the armed services, including the coast guard and are residents of Hawaii shall be exempt from motor vehicle registration fees and vehicle weight taxes. The exemption shall not be applicable to vehicles used for commercial purposes.

SB 2448/HB 2605 proposes a similar exemption to motor vehicles registered to members of the national guard and military reserve, or armed services, including the coast guard assigned to units in the state in a manner similar to the exemption for nonresident military personnel provided under the Soldiers' and Sailors' Civil Relief Act (now known as the Service Members' Civil Relief Act).

**EFFECTIVE DATE:** SB 3036/HB 3114 - July 1, 2008; SB 2448/HB 2605 - October 1, 2008

**STAFF COMMENTS:** SB 3036/HB 3114 is an administration measure submitted by the department of defense DEF-05(08). These measures propose to exempt noncommercial motor vehicles owned by a member of the Hawaii national guard, reserves, armed services, or coast guard domiciled or assigned to a unit in Hawaii from the motor vehicle registration and weight taxes.

Inasmuch as the motor vehicle weight tax and registration fees are user charges designed to recover the cost of construction and maintenance of Hawaii's highway system, there is little justification for exempting national guard personnel. Regardless of the motorist's status, resident or nonresident, active or reserve, all motorists use the state highways and should therefore lend a hand in paying for good and safe roads. Note well, that any exemption granted to a select group of users requires that the lost revenues be made up by those who must continue to pay. Motorists who will have to pick up the additional cost created by this proposed exemption should hold those who would propose such an exemption responsible for raising their taxes.

These measures amount to nothing more than pandering to the current situation. While troops are deployed to areas of danger at the moment, this is not always the case for the national guard and reservists. There is no indication that this select group of motorists is in need of relief from the tax and registration fees and, therefore, there is no justification for this proposal. Administrators, as well as lawmakers, need to separate the two issues and look at the fact that they are in office to insure the efficient operation of state government that provides services to those who pay for those services. They should stick to the business of running government rather than trying to make photo-op points.

SB 3036; HB 3114; SB 2448; HB 2605 - Continued

The Soldiers' and Sailors' Civil Relief Act provides that when service members are relocated to another state, they are exempt from the motor vehicle taxes of their new location because they already paid the vehicle taxes of their home state. Thus, citing the Service Members' Civil Relief Act to justify this proposal is not a parallel situation as those service members who are exempt from the local vehicle fees have already paid such fees in their home state. Unlike providing an exemption from income taxes for service personnel deployed in a combat zone which is provided by both state and federal laws recognizing the hardship circumstances for those who must leave their regular employment, the vehicle weight and registration fees are user taxes for the privilege of using the public roadways. It is not as if the national guard or armed service reservist is not here to drive on the state and county roads. They and their dependents will continue to drive on the state and county highways and will also demand that the roads be pothole free and safe. To that end, as users of the roadways, they should be asked to shoulder the cost of maintaining those facilities.

An interesting question comes to mind, if the Soldiers' and Sailors' Civil Relief Act provides that the service personnel is exempt from a state's vehicle taxes if those similar taxes were previously paid to the home state, then what happens to a Hawaii service personnel who is relocated to another state? Will the Hawaii soldier be asked to pay that state's vehicle taxes because none were levied by the home state - Hawaii? Further, will the service personnel exempt from paying the Hawaii vehicle tax also be exempt from the required safety checks needed to secure the annual registration? That would seem to run counter to the intent of having annual motor vehicle inspections.

The measures proposed by the administration are particularly irresponsible as the administration is keenly aware that the state highway fund is in financial jeopardy as the highway fund balance is forecasted to drop below \$5 million by the end of the fiscal year 2013. Proposing such an exemption in light of the financial crisis looming in the state highway fund is certainly disingenuous if not irresponsible.

Digested 1/28/08

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**HOUSE COMMITTEE ON PUBLIC SAFETY & MILITARY AFFAIRS  
AND TRANSPORTATION**

**TESTIMONY REGARDING HB 2605  
RELATING TO THE ARMED SERVICES**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 7, 2008**

**TIME: 8:30AM**

**ROOM: 309**

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This bill proposes to exempt Hawaii residents in the armed services, reserves, or National Guard from the vehicle tax and registration fees imposed under Chapter 249, Hawaii Revised Statutes.

The Department of Taxation (Department) supports this measure; however prefers the Lingle-Aiona Administration measure, HB 3114.

**STRONG SUPPORT FOR THE NATIONAL GUARD**—This legislation provides for a much-deserved exemption from the vehicle tax and registration fees associated with licensing a motor vehicle. This exemption is extended to members of the National Guard, reserves, all branches of the armed services, including the Coast Guard, provided the individual is in good standing and a resident of Hawaii. Members of the various armed services that protect this country should be exempt from taxation on their vehicle, especially since their absence when called to duty would otherwise result in the payment of these fees for the nonuse of an automobile.

**ELIMINATE REFERENCE TO FEDERAL LAW**—The Department suggests that the reference to implementation of the measure "in a manner similar" to that under the Soldiers' & Sailors' Civil Relief Act be eliminated. The reference is unnecessary and ties the tax break to a federal law that is outside the control of local lawmakers and could be changed at any time.

This legislation will result in a decrease to the State Highway Fund of approximately \$689,000 per year.