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**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION &  
AFFORDABLE HOUSING**

**TESTIMONY REGARDING HB 3196 HD 1  
RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX**

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

**DATE: MARCH 11, 2008**

**TIME: 9:00AM**

**ROOM: 229**

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This bill extends beyond August 31, 2007 the rental motor vehicle surcharge tax of \$3 per day. This bill takes effect upon approval.

The House Committee on Transportation amended the bill by extending the surcharge tax by an additional year, rather than indefinitely.

The House Committees on Tourism & Culture and Economic Development & Business Concerns passed this measure unamended.

The House Committee on Finance passed the measure unamended.

The House of Representatives passed this measure on third reading.

The Department of Taxation (Department) **supports** this Lingle-Aiona Administration bill; **however requests that the repeal date of the increase be eliminated.**

Currently, there is a rental motor vehicle surcharge of \$3 per day, which will drop to \$2 per day after August 31, 2008. Extending the increase for an additional year is helpful. However, because of the inability to keep pace with expenditures, extending the increase for an additional year may not be sufficient. The Department requests that the increase be made permanent to properly fund the State Highway Fund.

By permanently extending the \$3 per day rental motor vehicle surcharge as provided in this bill, State Highway Fund revenues would be increased by about \$13.3 million in fiscal year 2009 and by about \$2.7 million in fiscal year 2010. There would be no effect on revenue after fiscal year 2010. Maintaining a consistently sufficient revenue stream for the state highways is critical to

maintaining Hawaii's infrastructure.

As a result of the foregoing, the Department supports this legislation and respectfully requests this Committee amend the measure to retain the permanent increase.

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IN REPLY REFER TO:

March 11, 2008

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL No. 3196, HD1

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE  
HOUSING

We support this bill with concerns.

Currently, Section 251-2(a), HRS, provides for a rental motor vehicle surcharge of \$3.00 per day from September 1, 1999 to August 31, 2008. The bill proposes to extend the sunset date for an additional year. However, the Department of Transportation (DOT) would like to eliminate the sunset date and maintain the \$3 per day surcharge on a permanent basis. This dedicated revenue would support the Highways Division's expenditures for the operation, maintenance and construction of state highways and ensure the health of the State Highway Fund.

Each dollar collected through the rental vehicle surcharge provides approximately \$14 million in annual revenues for the State Highway Fund. If the \$3 per day surcharge is not extended on a permanent basis, the Highways Division will need to cut its maintenance program by almost 10% in future years.



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Committee on Commerce, Consumer

Protection and Affordable Housing

Senate

State of Hawaii

Hearing: March 11, 2008, 9:00 a.m., Conf. Room 229

Re: HB 3196, HD1 -- Relating To The Rental Motor Vehicle Surcharge Tax

Honorable Chair Kokubun and Honorable Committee Members:

My name is Wayne Tanaka and I am the V.P./General Manager with Enterprise Rent-A-Car Company of Hawaii.

Our company supports this bill in its present form which is consistent with the position taken recently by the Joint Senate and House Task Force which studied the need of how to raise revenues for the Highway Fund from all users of the highways and not just u-drive vehicles and tour vehicles which pay surcharge taxes.

The Joint Senate and House Task Force thus concluded in its report to the legislature:

*"The Task Force defers to the Forum and the DOT for now and requests that the DOT report to the Legislature when the Forum finalizes its recommendations, with the expectation that the matter will result in proposed legislation for consideration for the 2009 Regular Session".*

Please do not seek to unfairly increase the daily surcharge tax to our industry on a permanent basis. If more revenues are needed for the Highway Fund, the DOT should do study as requested by the Task Force as to how to fairly raise necessary funds from all users of the Highway and not to just single out the u-drive industry.

SB 2501 passed by the Senate is contrary to the Task Force recommendation and suggests an unfair permanent tax increase. The DOT agrees with Catrala that its survey of surcharges is not valid and yet this Committee and others appear to rely on such a survey. Catrala's testimony points to examples as to why the survey is not valid.

Please be fair. Do not unfairly single out the u-drive industry for a permanent tax increase. Before any taxes or fees are increased the DOT should be required to do a study as to how to fairly raise revenues from all relevant sources and users of the highways.

Thank you for allowing us to testify on this bill. Please pass this bill whose goals are consistent with the recommendation of the Joint Senate and House Task Force.

Sincerely,

Wayne Tanaka - V.P./General Manager