

Honorable Russell Kokubun, Chair
Committee on Commerce, Consumer
Protection and Affordable Housing
Senate
State of Hawaii

Hearing: January 31, 2008, 9:00 a.m., Conf. Room 229

Re: SB 2501 --- Relating To The Rental Motor Vehicle Surcharge Tax

Honorable Chair Kokubun and Honorable Committee Members:

My name is Wayne Tanaka and I am the chair of the Legislative Committee for Catrala-Hawaii. Catrala's membership consists of the major u-drive (car and truck rental leasing) companies in Hawaii and the many businesses which support our industry.

Catrala supports this bill with amendment attached hereto and incorporated herein by reference. This Amendment is in the form of an HD 1 amendment to HB 3196 (Administration bill) heard before the House Transportation Committee. We respectfully ask you to amend your bill so it confirms with this amendment so it is consistent with the position taken recently by the Joint Senate and House Task Force.

This past summer the Department of Transportation (DOT) convened a work study forum which in part studied the financial needs of the highway fund and the future need for additional revenues. While Catrala-Hawaii participated in that study group, the work of the group is still ongoing and was not completed.

As a result when the Joint Senate and House Task Force met to study the needs of the highway fund, the DOT study group was not able to make any recommendations. 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".

In keeping with this position of the Legislative Task Force, Catrala reluctantly agrees to extend the \$1 increase in the daily surcharge tax (keep it temporarily at \$3) up until September 1, 2009 to allow the DOT Forum to complete its work and to report back to the legislature by the 2009 Regular Session.

Consistent with this one (1) year extension Catrala amended the bill in various respects as set forth in attached HD 1 including adding a Section 4 to the bill that identifies issues the Legislative Task Force wanted addressed when it studied the issues pursuant to SB No. 1133, CD1.

Catrala firmly believes the daily surcharge tax is already high and must be kept as low as possible. Hawaii is primarily a family oriented tourist destination which competes with places such as Florida. Florida's surcharge tax is \$2 daily and we believe Hawaii should be the same if not lower.

Further, u-drive vehicles provide the tourists the freedom to explore on their own schedule and repeatedly, if they so desire, the many wonders throughout Hawaii which are heavily advertised and promoted. High daily taxes in our opinion will discourage the rental of vehicles. This in turn will reduce overall tourist satisfaction since they will rent their vehicles for shorter periods of time, not rent the vehicles at all, or decide not to visit Hawaii.

In addition, it is our opinion that the reduction in daily rental of vehicles will also result in economic hardship to the many local restaurants and shops which benefit from tourists, who stop, eat and shop as they travel along and explore the beauties and enjoy the many activities Hawaii has to offer.

We respectfully urge you to pass this bill with amendment. Please see below. Thank you for allowing us to testify.

Report Title:

Rental motor vehicle; surcharge; surcharge tax; State Highway Fund

Description:

Extends the \$1 per day surcharge on rental motor vehicles to September 1, 2009; department of transportation to conduct study and report to 2009 Legislature.

HOUSE OF REPRESENTATIVES
TWENTY-FOURTH LEGISLATURE, 2008
STATE OF HAWAII

H.B. NO. 3196
HD 1

A BILL FOR AN ACT

CATRALA PROPOSED AMENDMENT TO SB 2501; SAME LANGUAGE

RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to extend the rental motor vehicle surcharge tax at the rate of \$3 a day for one (1) one more year while the department of transportation conducts a study and reports back to the legislature.

SECTION 2. Section 251-2, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is levied and shall be assessed and collected each month a rental motor vehicle surcharge tax of \$2 a day, except that for the period of September 1, 1999, to August 31, [~~2008~~] 2009, the tax shall be \$3 a day, or any portion of a day that a rental motor vehicle is rented or leased. The rental motor vehicle surcharge tax shall be levied upon the lessor; provided that the tax shall not be levied on the lessor if:

- (1) The lessor is renting the vehicle to replace a vehicle of the lessee that is being repaired; and
- (2) A record of the repair order for the vehicle is retained either by the lessor for two years for verification purposes or by a motor vehicle repair dealer for two years as provided in section 437B-16."

SECTION 4. (a) The department of transportation shall conduct a review and study of the financial requirements of the state highway fund, with an emphasis of the adequacy and equity of revenues generated by one or more revenues sources pursuant to section 251-2, Hawaii Revised Statutes, compared with other revenue sources contributing to or that could be contributing to the highway fund.

(b) The review may include but shall not be limited to discussions and meetings with representatives of different interest groups and present contributors of revenues to the highway fund and may also include:

(1) Past, present and projected revenues of the state highway fund;

(2) The ability of the department of transportation to plan, implement and expend funds on at timely basis;

(3) An analysis of the actual revenue needs of the department of transportation;

(4) Other revenue sources of the state highway fund and their nexus to the fund; and

(5) Other governmental matching funds.

(c) The review shall include but not limited to data from the 2000-2001 fiscal year to present and may include any data, information, or conclusions by task forces or groups that have

discussed or met in the past to evaluate at least in part the fiscal needs, revenues sources or viability of the state highway fund.

(d) The department of transportation shall submit a final report to the legislature no later than twenty days prior to the convening of the 2009 regular session which shall include but not limited to accomplishments, findings and proposed legislation for increasing revenue sources for the state highway fund to meet its ongoing and future needs.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION . This Act shall take effect upon its approval.

INTRODUCED BY: _____