
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. 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, 2011, 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 []; or
- (3) The lessor is renting an electric vehicle.

For the purpose of this subsection, the term "electric motor vehicle" means a motor vehicle that is propelled to a significant extent by an electric motor that draws electricity from a battery that:

- (1) Has a capacity or not less than four kilowatt hours; and
- (2) Is capable of being recharged from an external source of

electricity."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.

INTRODUCED BY: _____

Report Title:

Rental Motor Vehicle Surcharge Tax; Electric Vehicles

Description:

Exempts lessors from the rental motor vehicle surcharge tax when renting an electric vehicle.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

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STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
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IN REPLY REFER TO:

February 3, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 2726

COMMITTEE ON TRANSPORTATION

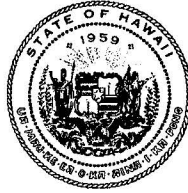
Although the Department of Transportation supports energy conservation efforts, it opposes this bill to exempt lessors from the rental motor vehicle surcharge tax when renting an electric vehicle.

The rental motor vehicle surcharge tax is a major source of revenue for the State Highway Fund, providing \$39.3 million or 20 % of the total revenues for FY 2009. That marks a \$9.5 million decrease from the \$48.8 million collected during the previous fiscal year.

This would be detrimental to the DOT at a time when the Highways Division is looking for additional revenues for the State Highway Fund to operate, maintain and construct the State Highway System and is unable to support this measure.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
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HOUSE COMMITTEE ON TRANSPORTATION

TESTIMONY REGARDING HB 2726 RELATING TO TAXATION

*****WRITTEN TESTIMONY ONLY*****

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

DATE: FEBRUARY 3, 2010

TIME: 9AM

ROOM: 309

This measure proposes to exempt rentals of electric vehicles from the rental motor vehicle surcharge tax.

The Department of Taxation **opposes this measure because it is not factored into the executive budget.**

SUPPORT FOR ALTERNATIVE ENERGY TRANSPORTATION—The Department recognizes the importance of this legislation because this bill provides an attractive incentive that serves as another step in the right direction for minimizing Hawaii's dependence on fossil fuels. The Department and the Administration both recognize the importance of Hawaii's energy independence and are in strong support of policies to that effect. The Administration is committed to energy conservation and promoting alternative energy transportation, including reducing Hawaii's fuel dependency.

NOT FACTORED INTO BUDGET—The Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

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SUBJECT: RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Exempt electric vehicle

BILL NUMBER: HB 2726

INTRODUCED BY: B. Oshiro, Morita and 1 Democrat

BRIEF SUMMARY: Amends HRS section 251-2 to provide that the rental motor vehicle surcharge tax of \$2 per day shall not be imposed on an electric vehicle. Defines “electric motor vehicle” as a motor vehicle that is propelled to a significant extent by an electric motor powered by a battery that has a capacity of at least 4 kilowatt hours and is capable of being recharged from an external source of electricity.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature by Act 263, SLH 1991, adopted a \$2 per day tax on rental motor vehicles as part of the state administration’s plan to bail out the state’s ailing highway fund. Subsequently, the legislature by Act 223, SLH 1999, increased the amount of the surcharge to \$3 between 11/1/99 to 8/31/07. While the legislature by Act 258, SLH 2007, extended the surcharge to 8/31/08, it was extended until August 31, 2011 by the 2008 legislature by Act 226, SLH 2008.

It should be remembered that the rental motor vehicle tax was enacted and it was aimed primarily at visitors, in an attempt to make that segment of the de facto population pay a larger share of the cost of maintaining the highways. It also allowed lawmakers to avoid raising the tax on gasoline even higher than the additional five cents they adopted with the 1991 legislation. While this measure would exempt certain electric vehicles from the imposition of the \$3 per day rental motor vehicle surcharge tax, this would result in a “free ride” for these electric vehicles as they would not be paying their fair share even though they are driven on the same roads as all other motor vehicles.

Given that such cars do not contribute to the repair and maintenance of state’s highways through the traditional resources such as the fuel tax, the rental vehicle surcharge seems an appropriate in-lieu contribution. While lawmakers may be enthusiastic in their support for the use of alternate energy and sustainability, they must remember that the appropriate financing of public services must remain their focus.

Digested 2/2/10

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON TRANSPORTATION
Wednesday, February 3, 2010
9:00 AM
State Capitol, Conference Room 309

In consideration of
HB 2726 RELATING TO TAXATION.

Chair Souki, Vice Chair Awana and Members of the House Committee on
Transportation.

The High Technology Development Corporation (HTDC) supports HB2726 because it
encourages activities that contribute to the goals of the Hawaii Clean Energy Initiative.

Thank you for the opportunity to submit testimony in support.

Testimony before the House Committee on
Transportation

H.B. 2726, Relating to Taxation

Wednesday, February 3, 2010
9:00 a.m., Conference Room 309

By Carlos Perez Loriga
Director
Customer Technology Applications Division
Hawaiian Electric Company, Inc.

Chair Souki, Vice Chair Awana and members of the Committee:

My name is Carlos Perez Loriga and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiary utilities, Maui Electric Company, Ltd., and Hawaii Electric Light Company, Inc.

H. B. 2726 provides a rental motor vehicle surcharge tax exemption for electric vehicles.

While sensitive to the financial challenges that the State is currently facing, Hawaiian Electric Company supports H.B. 2726, to promote the increased use of electric and plug-in hybrid electric automobiles. Increased consumer acceptance of these types of vehicles will aid in the reduction of greenhouse emissions and fossil fuel use and will help enable the Hawaii Clean Energy Initiative's goal of 70% clean, renewable energy by 2030.

Thank you for the opportunity to testify.