

Honolulu, Hawaii

March 24, 2011

RE: S.B. No. 1324
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred S.B. No. 1324, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill is to maintain one source of revenue stream for the State Highway Fund (Fund) by permanently increasing the rental motor vehicle surcharge tax from \$2 per day to an unspecified amount per day.

The Department of Transportation (DOT) testified in support of this bill. The Department of Taxation, Tax Foundation of Hawaii, and a concerned individual submitted comments.

Act 223, Session Laws of Hawaii 1999, temporarily raised the motor vehicle rental surcharge tax from \$2 to \$3 per day to bolster lagging highway fund revenues during difficult economic times. With the dramatic downturn in both the national and State economies over the last several years, the State Highway Fund continues to dwindle with revenues failing to keep pace with expenditures for the operation, maintenance, and construction of State highways. This is due in part to rising fuel costs and decreasing fuel consumption which has resulted in decreased fuel tax revenues. As a result, our land transportation system has failed to address increased transportation demands, with project

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needs far outpacing available resources. Although recent indicators have suggested that economic recovery is beginning, expectations are that the economic recovery will be slow and may take several years. Without additional funding, the State Highway Fund will lack the necessary revenues for the upkeep and improvement of our roadways.

According to DOT, making the change in the surcharge tax from \$2 per day to \$3 per day will generate approximately \$13.4 million in annual revenues for the Fund and loss of this revenue stream will have a serious impact on Hawaii's highways. Your Committee finds that prudent action needs to be taken to maintain State Highway Fund revenue levels and that this matter deserves further consideration.

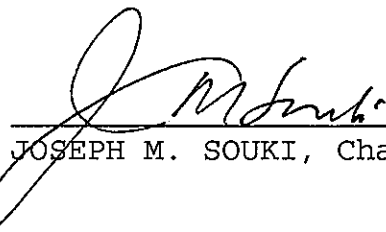
Accordingly, your Committee has amended this bill by:

- (1) Reinserting the increase in the surcharge tax from \$2 per day to \$3 per day; and
- (2) Changing its effective date from July 1, 2050, to July 1, 2011.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1324, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1324, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,



JOSEPH M. SOUKI, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

Record of Votes of the Committee on Transportation

Bill/Resolution No.: SB 1324, SD 2	Committee Referral: TRN, FIN	Date: 3/21/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. SOUKI, Joseph M. (C)	/			
2. ICHIYAMA, Linda (VC)	/			
3. AQUINO, Henry J.C.				/
4. CULLEN, Ty	/			
5. LEE, Marilyn B.	/			
6. LUKE, Sylvia	/			
7. SAIKI, Scott K.				/
8. TAKUMI, Roy M.	/			
9. YAMASHITA, Kyle T.	/			
10. FONTAINE, George R.		/		
11. JOHANSON, Aaron Ling	/			
TOTAL (11)	8	1		2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align:center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Linda Ichiyama</i></u>				
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