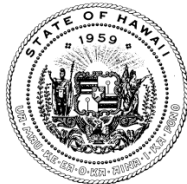


NEIL ABERCROMBIE  
GOVERNOR



Testimony of  
GLENN M. OKIMOTO  
DIRECTOR

Deputy Directors  
JADE BUTAY  
FORD N. FUCHIGAMI  
RANDY GRUNE  
JADINE URASAKI

IN REPLY REFER TO:  
(808) 586-2165

**STATE OF HAWAII**  
**DEPARTMENT OF TRANSPORTATION**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 13, 2013  
2:05 p.m.  
State Capitol, Room 325

**H.B. 551, H.D. 1**  
**RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX**

House Committee on Consumer Protection and Commerce

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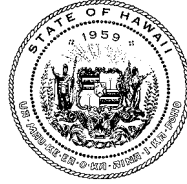
The Department of Transportation (DOT) **supports** this bill, which proposes to prorate the rental motor vehicle and tour vehicle surcharge tax vehicles that are rented by a car-sharing organization to members of its membership program on an hourly basis for up to six hours per day per vehicle at 12.5 cents per hour and at an existing per day rate at or longer than six hours.

Thank you for the opportunity to provide testimony.



NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

To: The Honorable Angus L.K. McKelvey, Chair  
and Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, February 13, 2013

Time: 2:30 p.m.

Place: Conference Room 325, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. 551, H.D. 1 Relating to Rental Motor Vehicle Surcharge Tax

The Department of Taxation (Department) appreciates the intent of H.B 551, H.D. 1 and offers the following comments for your consideration.

H.B. 551 HD1 provides for a prorated hourly rate of the Rental Motor Vehicle Surcharge Tax (RMVST) on rental income received by car-sharing organizations for rentals to their members that are less than six hours in duration.

The Department is concerned that the language of the bill provides for inconsistent treatment of taxpayers in the application of the RMVST, as only customers of car-sharing organizations would be eligible to pay a pro-rated RMVST for short-term rentals.

Additionally, the Department notes that recent changes to the RMVST rate in 2011 and 2012 took several months to implement. If this measure is adopted, the Department recommends that the effective date be changed to January 1, 2014.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Car-sharing organizations

**BILL NUMBER:** HB 551, HD-1

**INTRODUCED BY:** House Committee on Transportation

**BRIEF SUMMARY:** Amends HRS section 251-2 to provide that the imposition of the rental motor vehicle surcharge tax on rentals of less than six hours made by car-sharing organizations shall be prorated at 12.5 cents per hour; provided that rentals of six hours or more shall be subject to the amount assessed on the rental of all other motor vehicles.

Amends HRS section 251-1 to define “car-sharing organization” as an organization that operates a membership program in which its members are permitted to use vehicles from the organization’s fleet on an hourly basis at hourly rates that include the cost of insurance and the cost of the vehicle to the organization.

**EFFECTIVE DATE:** July 1, 2020

**STAFF COMMENTS:** Under a car-sharing arrangement, vehicles may be rented hourly and since a renter does not have to pay for a full day of rental, the rates for the use of the vehicle could be significantly less than if a vehicle was rented from a typical rent-a-car company. While it appears that the imposition of the rental motor vehicle and tour vehicle surcharge adds to the cost of the vehicles rented hourly under a car-sharing arrangement, this measure prorates the amount of the rental motor vehicle surcharge if such vehicles are rented for a period of less than six hours. If a car-sharing vehicle is rented for six hours or more, the \$3 per day charge assessed on rental motor vehicles is assessed.

It should be noted that since a car-sharing arrangement is basically a rent-a-car company that allows renters to rent a car hourly, such car-sharing companies are in direct competition with rent-a-car companies that provide vehicles for rent. It is questionable why only car-sharing vehicles would qualify for the imposition of the rental motor vehicle surcharge at the prorated rates while other rental vehicles would be subject to the full amount even though they may have been used or rented for less than six hours.

It is quite possible that a traveler to say a Neighbor Island to have a business lunch at a location which is not served by taxi service might rent a vehicle to drive to the lunch and back to the airport within a six-hour time span. That renter should be treated the same as someone who rented a vehicle from a car-sharing service if the intent of this bill is to prorate the motor vehicle surcharge for rentals of six hours or less.

Digested 2/12/13

**HOUSE COMMITTEE  
ON  
CONSUMER PROTECTION AND COMMERCE**

February 13, 2013

House Bill 551, HD 1 Relating to Rental Motor Vehicle Surcharge Tax

Chair McKelvey and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing The Hertz Corporation (“Hertz”).

Hertz supports the intent of House Bill 551, HD1 Relating to Rental Motor Vehicle Surcharge Tax, but would request that the pro-rations apply to all rentals, or at least to all rentals made through a membership program in which members are permitted to rent vehicles on an hourly basis. Hertz is willing to work with the proponents on this measure as it moves forward.

Thank you for the opportunity to present this testimony.



**HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

February 13, 2013, 2:30 P.M.

Room 325

**(Testimony is 2 pages long)**

**TESTIMONY IN SUPPORT OF HB 551 HD1**

Chair McKelvey and members of the Consumer Protection & Commerce Committee:

The Blue Planet Foundation supports HB 551 HD1, a measure which assesses a lower rental surcharge tax for cars used on an hourly basis through sharing organizations. We believe this measure is a fair policy and will help remove a barrier to the establishment of car sharing organizations and services in Hawaii.

Blue Planet's mission is to end the use of fossil fuels on Earth, starting by making Hawai'i a role model for energy independence. While much of our work has been focused on renewable energy and reducing electricity use, transportation in Hawaii (cars, trucks, ships, and planes) accounts for approximately two-thirds of the oil consumed. In 2011, Hawaii cars burned over 470 million gallons of gasoline. For a typical car, that's enough gasoline to cover the distance equivalent to over 21,000 round trips to the moon. As of February 2012, there are 995,790 registered passenger vehicles in Hawaii. If these vehicles were put bumper-to-bumper it would form a line approximately from Honolulu to Las Vegas.

Many individuals and households in Hawaii don't need to own a car, they would just like access to a vehicle when needed. Similarly, many folks own a low fuel economy truck because they need the capacity for work (or play), but then end up using the larger vehicle mostly for passenger or in-town use. Car sharing programs would provide another mobility alternative for individuals and households, and perhaps for some, obviating the need to purchase and own a vehicle. Car sharing provides the benefits of having a vehicle when needed while avoiding the cost and hassle of car ownership. House Bill 551 HD1 helps to remove a cost barrier to car sharing by assessing a lower vehicle surcharge tax (12.5 cents per hour) for this purpose.

Car sharing is designed to replace car ownership for people who do not need to drive to work every day, and to reduce congestion and fossil fuel consumption. Car Sharing pilot projects like Witkar began as early as the 1960's and 1970's, but modern car sharing programs launched in 1987 in Switzerland and later in 1988 in Germany, and came to North America via Quebec City in 1994. (The first successful car share in the United States was Portland, Oregon's CarSharing-PDX.) As of July 1, 2011 (based on an analysis by Susan Shaheen of the University of

California, Berkeley) 26 U.S. car sharing programs claimed 560,572 members sharing 10,019 vehicles; and 78,840 members shared 2,605 vehicles among 20 car sharing organizations in Canada .

While Blue Planet has not analyzed the legal aspects of car sharing in Hawaii, we understand that California enacted car sharing enabling legislation in 2010. It may be worth considering amendments to this measure that include some of the policy changes enacted in California to remove other possible hurdles to car sharing. Blue Planet is more than happy to help the Committee with these amendments.

Thank you for the opportunity to testify.

**Testimony of  
Gary M. Slovin / Mihoko E. Ito  
on behalf of  
EAN Holdings, LLC**

DATE: February 12, 2013

TO: Representative Angus L.K. McKelvey  
Chair, Committee on Consumer Protection & Commerce  
*Submitted Via CPCtestimony@capitol.hawaii.gov*

RE: **H.B. 551 H.D.1– Relating to Rental Motor Vehicle Surcharge Tax  
Hearing Date: Wednesday, February 13, 2013 at 2:30 pm  
Conference Room 325**

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Dear Chair McKelvey and Members of the Committee on Consumer Protection & Commerce:

We submit this testimony on behalf of EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as “Enterprise”).

Enterprise is in **support** of H.B.551 H.D.1, which would establish a pro rata formula for the rental car surcharge for car sharing.

Car sharing services assist people who may not have access to a car by allowing them to rent cars for short periods. Enterprise is operating such a service at the University of Hawaii. Taxing the rental on a pro rata basis is reasonable since in car sharing the cars are typically used for a short time. This approach makes such short term rental more affordable.

However, Enterprise would like to suggest that the fee instead be prorated over a 6 hour period at \$0.50 per hour rather than a 24 hour one at \$0.125 per hour, since a “full day” rental is classified at 6 hours, after which the rental car surcharge would be charged at the full \$3/day.

Thank you for the opportunity to submit testimony on this measure.

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Gary M. Slovin  
Mihoko E. Ito  
Christine Ogawa Karamatsu  
Tiffany N. Yajima  
Nicole A. Velasco

1099 Alakea Street, Suite 1400  
Honolulu, HI 96813  
(808) 539-0840

TESTIMONY OF SHEM LAWLOR  
TO THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
FEBRUARY 13, 2013  
2:30 PM

**Testimony on H.B. 551, HD1  
Relating to Rental Motor Vehicle Surcharge Tax**

**To the Honorable Chair McKelvey, Vice Chair Kawakami and members of the Committee:**

Thank you for the opportunity to testify on HB551, HD1. I strongly support the bill, but I have some additional comments and suggestions which I think will make it better and which I believe will help satisfy some of the concerns about the bill.

I have been in the hearings for this bill and its companion in the Senate (SB 726) and as far as I understand, nobody seems to be contrary to the idea that the tax is an undue burden on car-sharing or that encouraging car-sharing and the social, environmental and economic benefits it brings would be a bad thing. However, there are some concerns about the bill, as shown in the table below:

Department of Taxation	Doesn't want to deal with two separate tax rate structures with a pro-rated tax
Department of Transportation	Afraid that they would lose revenue if traditional car rental companies attempt to increase their customer base by avoiding the Rental Motor Vehicle Surcharge
Tax Foundation of Hawaii and Car Rental Companies	Don't think it is fair for car-sharing to be treated differently, as they believe it is essentially the same thing as traditional car rental

I understand the concerns of both the Departments of Taxation and Transportation. I also think there are valid fairness issues with regard to the funding of our road maintenance, as demonstrated by the Tax Foundation of Hawaii's comments. Essentially, it was decided that rather than raise the fuel tax for all drivers, it would be better to add an additional tax on rental vehicles even though those who do rent them (primarily tourists) also pay the fuel tax and the rental car companies pay the same vehicle registration and weight fees as everyone else.

I have no comments as to whether or not this is a fair or justifiable tax decision, other than to say that tourists generally view car rentals as an addendum to the larger transportation costs of flying to Hawaii and therefore, tend to not be very sensitive to the tax.



My thoughts on how to best resolve all of the concerns above are to give car-sharing organizations a full tax exemption as is currently written in SB 726, SD1, in order to appease the Department of Taxation's concerns; but prevent traditional car rental companies from avoiding the tax by tightening up the definition of car-sharing organizations with the following two stipulations-

1. Car-Sharing Program Members must be residents of the State of Hawaii.
  - This would immediately exclude the vast majority of traditional car rentals.
2. Require that car-sharing organizations must charge hourly rates that include both insurance and the **price of fuel** in order to qualify for the exemption.
  - This would force traditional car rental companies to totally change their pricing structure which would likely be more troublesome than the benefit of the \$3 savings is worth.
  - It would also ensure that car-sharing users are paying their fair share for road maintenance as they would be paying the same fuel taxes as regular Hawaii drivers (since the cost of fuel and the fuel tax would be embedded in the hourly rate).

Finally, I think it is important to keep the six-hour or less time stipulation to qualify for exemptions from the tax since some car-sharing organizations do offer daily rates. Daily rentals do not satisfy the transportation need that we are trying to facilitate (short term access to vehicles for trips that are difficult to make via other alternative modes).

I respectfully request the committee to pass this bill. Thank you for your time and consideration.

Sincerely,

Shem Lawlor  
Honolulu resident