
A BILL FOR AN ACT

RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX.

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

1 SECTION 1. Section 251-1, Hawaii Revised Statutes, is
2 amended by adding a new definition to be appropriately inserted
3 and to read as follows:

4 "Car-sharing organization" means an organization that
5 operates a membership program in which its members are permitted
6 to use vehicles from the organization's fleet on an hourly basis
7 at hourly rates that include the cost of insurance and the cost
8 of the vehicle to the organization."

9 SECTION 2. Section 251-2, Hawaii Revised Statutes, is
10 amended to read as follows:

11 **"§251-2 Rental motor vehicle and tour vehicle surcharge**
12 **tax.** (a) There is levied and shall be assessed and collected
13 each month a rental motor vehicle surcharge tax of \$7.50 a day,
14 except that ~~[after]~~:

15 (1) After June 30, 2012, the tax shall be \$3 a day, or any
16 portion of a day that a rental motor vehicle is rented
17 or leased[-]; or



1 (2) In the case of rentals made by a car-sharing
2 organization to its members of less than six hours in
3 duration, the surcharge tax shall be prorated at 12.5
4 cents per hour; provided that for each rental of six
5 hours or more, the tax shall be assessed at the same
6 rate as provided in paragraph (1).

7 (b) The rental motor vehicle surcharge tax shall be levied
8 upon the lessor; provided that the tax shall not be levied on
9 the lessor if:

10 (1) The lessor is renting the vehicle to replace a vehicle
11 of the lessee that is being repaired; and

12 (2) A record of the repair order for the vehicle is
13 retained either by the lessor for two years for
14 verification purposes or by a motor vehicle repair
15 dealer for two years as provided in section 437B-16.

16 [~~(b)~~] (c) There is levied and shall be assessed and
17 collected each month a tour vehicle surcharge tax of:

18 (1) \$65 for each tour vehicle used or partially used
19 during the month that falls into the over twenty-five
20 passenger seat category; and



1 (2) \$15 for each tour vehicle used or partially used
 2 during the month that falls into the eight to twenty-
 3 five passenger seat category.

4 The tour vehicle surcharge tax shall be levied upon the tour
 5 vehicle operator."

6 SECTION 3. Statutory material to be repealed is bracketed
 7 and stricken. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval.
 9

INTRODUCED BY:

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

JAN 18 2013



Report Title:

Rental Motor Vehicle Surcharge Tax; Car-sharing Organizations

Description:

Requires the rental motor vehicle surcharge tax for car-sharing organizations to be prorated at 12.5 cents per hour for rentals of less than six hours and at existing per day rates at or longer than six hours. Defines car-sharing organization.

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



NEIL ABERCROMBIE
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STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
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HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

January 30, 2013

HB 551
RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX

House Committee on Transportation

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.



**HOUSE COMMITTEE
ON
TRANSPORTATION**

January 30, 2013

House Bill 551 Relating to Rental Motor Vehicle Surcharge Tax

Chair Yamane and members of the House Committee on Transportation, I am Rick Tsujimura, representing The Hertz Corporation (“Hertz”).

Hertz supports the intent of House Bill 551. Hertz is willing to work with the proponents on this measure as it moves forward.

Thank you for the opportunity to present this testimony.

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: SB 726; HB 551 (Identical)

INTRODUCED BY: SB by Dela Cruz, English and 4 Democrats; HB 551 by Har, Fale, Hashem, Ichiyama, Say, Yamashita

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 the 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: Upon approval

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 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 1/24/13

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

DATE: January 28, 2013

TO: Representative Ryan I. Yamane
Chair, Committee on Transportation
Submitted Via Capitol Website

RE: **H.B. 551– Relating to Rental Motor Vehicle Surcharge Tax**
Hearing Date: Wednesday, January 30, 2013 at 10:00 am
Conference Room 224

Dear Chair Yamane and Members of the Committee on Transportation:

EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as “Enterprise”) is in **support** of H.B.551, 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.

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

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

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

Aloha,

I am writing in support of HB551 to provide a tax-friendly environment to foster the startup and growth of car sharing organizations in Hawaii.

By prorating the rental motor vehicle and tour vehicle surcharge tax for car sharing organizations, this legislation is a first step to stimulate the implementation of car sharing by building the foundation with a business-friendly tax policy.

Mahalo

TESTIMONY OF SHEM LAWLOR
TO THE
HOUSE COMMITTEE ON TRANSPORTATION
JANUARY 30, 2013
10:00 AM

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

To the Honorable Chair Yamane, Vice Chair Ichiyama and members of the Committee:

I strongly support HB551 which would prorate the State's daily rental car surcharge for car-sharing rentals. The State is currently taxing car-sharing rentals at a flat \$3.00 rate, regardless of duration.

Car-sharing has demonstrated an ability to reduce traffic congestion, oil imports, greenhouse gas emissions and household transportation costs in the communities in which it has been able to take root. It offers the potential to do the same here in Hawaii. However, due to the unique cost-structure of car-sharing and the price sensitivity of its potential users, the daily \$3.00 rental car surcharge is causing severe market distortion and is keeping many potential car-sharing customers from using the service.

What is Car-Sharing?

Car-sharing is not car-pooling or ride-sharing. It is membership-based hourly car rental. The vehicles are typically distributed in neighborhoods, it is generally self-service, and the hourly rates usually include the price of the vehicle, gas and insurance.

Unlike traditional car rental however, car-sharing is not aimed at tourists or individuals who are getting personal vehicles repaired. Car-sharing members are people who either cannot afford to, or prefer not to own their own vehicles; but who occasionally need access to vehicles to do their grocery shopping or run errands. Car-sharing enables them to enjoy the benefits of automobile access without the high fixed costs and headaches that come with full-time car ownership.

Car-Sharing Fills an Important Void

For individuals or households who do not own an automobile, there are a variety of alternative mode choices available including: walking, biking, public transportation, taxis and traditional car rental. However, some of these alternative modes are better at serving certain types of trips than others. Walking, biking and public transportation can often fulfill the transportation needs for daily commuting trips to work or school, but are often inadequate for grocery shopping or running errands. Traditionally, for individuals or households who don't own a car, they have had to rely on taxis or regular rental cars to meet those needs. Taxis are usually only cost effective for one-way trips and so don't allow users to stop at multiple stores or locations. Regular car rental can be too expensive for carless households to utilize more than once a

month, which can be very inconvenient for grocery shopping or errand running which typically requires greater frequency.

Car-sharing can really be valuable to carless households because it allows them to conveniently rent a car for 1-2 hours and make multiple stops for around the same cost as a taxi ride. They can go grocery shopping or run errands 3-4 times a month for around the same cost as renting a regular rental car once a month.

Why this Tax Hurts Car-sharing

Sure \$3.00 may not sound like a lot of money, but adding \$3.00 to the cost of a 1-hour car-sharing rental (on top of the GET tax), means that car-sharing users are being taxed at a rate of around 35% for one hour rentals and 20% for two-hour rentals. One of the justifications for the \$3.00 flat rate tax on car rentals is that the majority of car rental customers are tourists and they tend to view the cost of the car rental as being an extension of their overall travel costs (including airfare) and are therefore, relatively insensitive to the cost. Furthermore, with daily car rental rates being \$50-\$60 (not including gas or insurance), the \$3.00 tax represents only a 5-6% taxation rate.

Car-sharing customers, on the other hand, typically live in the neighborhoods where they utilize the service and do so as a means to accomplish weekly grocery shopping or other errands. Clearly, the State wouldn't add \$3.00 to the price of every taxi ride or every time someone were to use public transportation. This would add undue tax burden to those services and would cause significant market distortion. The same is true with car-sharing.

Conclusion

Prorating the rental vehicle surcharge tax down to 12.5 cents per hour on car-sharing rentals up to six hours in length, as this bill would do; would significantly reduce the tax burden on the service thereby making it more affordable for Hawaii's low income and carless households.

It would allow car-sharing to gain a greater foothold in Hawaii and spread to more neighborhoods. It would make living without a car easier and would therefore allow more of Hawaii's low income households to get by with fewer cars and reduce their household transportation costs.

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

Sincerely,

Shem Lawlor



HOUSE COMMITTEE ON TRANSPORTATION

January 30, 2013, 10:00 A.M.

Room 309

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 551

Chair Yamane and members of the Transportation Committee:

The Blue Planet Foundation supports HB 551, 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 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

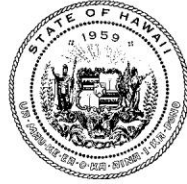
California, Berkeley) 26 U.S. car sharing programs claimed 560,572 members sharing 10,019 vehicles; and 78,840 members shared 2,605 vehicles among 20 car sharing organizations in Canada .

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.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
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To: The Honorable Ryan I. Yamane, Chair
and Members of the House Committee on Transportation

Date: Wednesday, January 30, 2013

Time: 10:00 a.m.

Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

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

The Department of Taxation (Department) appreciates the intent of H.B. 551 and offers the following comments for your consideration. This measure 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 adopted, the Department would need additional time to implement the necessary changes.

Thank you for the opportunity to provide comments.