

SB 726

RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX.

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.

NEIL ABERCROMBIE
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IN REPLY REFER TO:

January 28, 2013

SB 726
RELATING TO RENTAL MOTOR VEHICLE SURCHARGE TAX

Senate Committee on Transportation and International Affairs

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

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JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable J. Kalani English, Chair
and Members of the Senate Committee on Transportation and International Affairs

Date: Monday, January 28, 2013

Time: 1:15 p.m.

Place: Conference Room 224, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 726 Relating to Rental Motor Vehicle Surcharge Tax

The Department appreciates the intent of S.B.726 and provides the following information and comments for your consideration.

S.B. 726 modifies application of the rental motor vehicle surcharge tax to car-sharing organizations which typically rent cars for short durations. The bill allows car-sharing organizations to prorate the rental motor vehicle surcharge tax (RVST) for rentals lasting less than six hours.

The Department is concerned that language of the bill provides for inconsistent treatment of taxpayers in the application of the RVST. Additionally, the Department notes that due to limited staff resources and technological challenges, the Department will have difficulty implementing changes to the RVST form and instructions upon approval. Recent challenges to adjust the RVST rate in 2011 and 2012 underscores the need for the Department to have sufficient time to implement changes to tax forms and instructions.

Thank you for the opportunity to provide comments.

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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
Mihoko E. Ito
on behalf of
EAN Holdings, LLC**

DATE: January 26, 2013

TO: Senator J. Kalani English
Chair, Committee on Transportation and International Affairs
Submitted Via Capitol Website

RE: **S.B. 726 – Relating to Rental Motor Vehicle Surcharge Tax**
Hearing Date: Monday, January 28, 2013 at 1:15 pm
Conference Room 224

Dear Chair English and Members of the Committee on Transportation and International Affairs:

I am **Mihoko Ito**, testifying 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 S.B. 726, 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. Taking 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.

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Mihoko E. Ito
Christine Ogawa Karamatsu
Tiffany N. Yajima

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