

NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Monday, February 20, 2014

Time: 11:00 a.m.

Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. No. 1894, H.D.1 Relating to a Car-Sharing Vehicle Surcharge Tax

The Department of Taxation (Department) appreciates the intent of H.B. 1894, H.D.1, to establish a surcharge tax for car-sharing organizations and offers the following comments for your consideration.

H.B. 1894, H.D.1, defines car-sharing organizations and imposes a surcharge tax on car-sharing organizations. The surcharge is a flat rate charge per vehicle per day the vehicle is available for use or partial use during each month. This measure, if approved, is effective July 1, 2014.

First, the Department notes that as proposed, the Department is able to administer a flat fee surcharge tax. During the 2013 Regular Legislative Session, the Department supported a pro-rated rental motor vehicle surcharge tax (RVST) for car-sharing activities; however, since this bill proposes a separate surcharge on car-sharing organizations, the Department believes pro-ration is no longer necessary.

Second, the Department suggests strengthening the definition of car-sharing organization to ensure the intended business models benefit from the car-sharing surcharge. The Department suggests the definition of car-sharing organization be amended to read as follows:

"Car-sharing organization" means an organization that exclusively operates a membership program in which:

- (1) Membership fees are charged separately from all other charges and contemporaneously with the execution of the membership agreement;
- (2) Self-service access to a distributed fleet of vehicles is provided, exclusively to members of

- the organization, with or without requiring a reservation;
- (3) Members are charged a usage rate, either hourly or by the minute, for each use of a vehicle;
  - (4) No written agreement, other than a previously executed membership agreement, is required to access the organization's fleet;
  - (5) The average paid use period for all vehicles provided by the organization during any taxable period is four hours or less; and
  - (6) Each member's aggregate use of vehicles in the organization's fleet is limited to 18 hours per day.

The amended definition suggested above will ensure the car-sharing surcharge tax is for the benefit of car-sharing organizations and will help to preserve the current RVST base.

Third, the Department notes that H.B. 1894, H.D. 1 contains no explicit statement that liability for the car-sharing surcharge tax precludes liability for the RVST. The Department suggests the following language be added after the final sentence of section 2 of the bill.

"An organization that qualifies as a car-sharing organization as defined in section 251-1, that is registered with the Department as such pursuant to section 251-3, and that is subject to the surcharge imposed by this section shall not be subject to the surcharges imposed by section 251-2; provided, however, that any organization registered with the Department pursuant to section 251-3 shall be subject to at least one surcharge imposed by this chapter."

This amendment will make clear that car-sharing organizations are not subject to both the RVST and car-sharing organization surcharges. The amendment will also ensure that an organization does not escape both surcharges due to definitional ambiguities.

Thank you for the opportunity to provide comments.



# OFFICE OF PLANNING STATE OF HAWAII

NEIL ABERCROMBIE  
GOVERNOR

JESSE K. SOUKI  
DIRECTOR  
OFFICE OF PLANNING

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Statement of  
**JESSE K. SOUKI**  
Director, Office of Planning  
before the  
**HOUSE COMMITTEE ON FINANCE**

Thursday, February 20, 2014  
11:00 AM  
State Capitol, Conference Room 308

in consideration of  
**HB 1894 HD1**  
**RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the House Committee on Finance.

The Office of Planning supports the intent of HB 1894, HD1 which supports car-sharing. According to a 2005 report by the Transit Cooperative Research Program (TCRP) entitled, “Car- Sharing: Where and How It Succeeds,”

Communities face increasing traffic and parking congestion as well as a need to improve air quality. One way to address these problems is to find alternatives to private automobile ownership. Car-sharing is an innovative mobility option that allows individuals to pay for and use automobiles—on an as-needed basis—through membership programs.<sup>1</sup>

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<sup>1</sup> Millard-Ball, Adam; Murray, Gail; Schure, Jessica Ter; Fox, Christine; and Burkhardt, Jon (2005). “Car-Sharing: Where and How It Succeeds,” Transit Cooperative Research Program Report 108, Washington, D.C.: Transportation Research Board. Available at [http://www.tcrponline.org/PDFDocuments/TCRP\\_RPT\\_108.pdf](http://www.tcrponline.org/PDFDocuments/TCRP_RPT_108.pdf).



In summary, the TCRP report identified many benefits to car-sharing, including the following:

- **Reduced impacts and congestion** on our roads and highways, because on average, about 20% of car-sharing members give up their car or a second or third vehicle;
- **Reduced vehicle ownership**, which can lead to increased parking availability and less need for new parking, which leads to cost savings, release of land for development, and less stormwater runoff;
- **Improved mobility and destination flexibility**, particularly for people who cannot afford the fixed cost of vehicle ownership;
- **Lower emissions** through cutting vehicle travel and through the use of newer, fuel- efficient vehicles, such as hybrids;
- **Increased transit ridership**, because nearly 20% of car-sharing trips are accessed by transit, mostly during off-peak times; and
- **Cost savings for households and businesses** who join a car-sharing program.

We defer to the Departments of Taxation and Budget and Finance on the tax and budget implications of this bill.

Thank you for the opportunity to testify on this measure.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR



GEORGE I. ATTA, FAICP  
DIRECTOR

ARTHUR D. CHALLACOMBE  
DEPUTY DIRECTOR

February 20, 2014

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
Hawaii State House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

SUBJECT: House Bill No. 1894, HD1  
Relating to a Car-Sharing Vehicle Surcharge Tax

The Department of Planning and Permitting (DPP) **strongly supports** House Bill No. 1894, HD1, which creates a formal definition for car-sharing organizations, and establishes a new car-sharing vehicle surcharge tax. The Bill would place car-sharing in a taxation category separate from traditional car rentals.

As we testified before the Committee on Transportation on February 10, 2014, the DPP shares the concerns of the car-sharing industry and car-sharing advocates that the existing rental car surcharge tax has been an inadvertent obstacle to the service succeeding in Hawaii. Since the rental car surcharge is a daily flat-rate tax, and car-sharing rents vehicles at hourly or per-minute rates, car-sharing users have been subjected to unintentionally high taxation rates, as much as 30 to 40 percent on one-hour rentals.

The DPP believes car-sharing is an innovative public transportation option that has the potential to provide a number of important transportation, economic, social, and even health benefits to Hawaii residents. Car-sharing makes it possible for many people to own fewer or no cars by providing affordable access to vehicles for occasional trips that can be difficult to make by walking, biking, or public transportation.

Car-sharing users are typically local neighborhood residents who make nearly all of their trips by walking, biking, or public transportation, and use the car-sharing service a few times per month for grocery shopping or running errands.

Car-sharing has been shown to improve mobility, and reduce auto ownership, parking congestion, household transportation costs, and vehicle miles traveled. It has also been shown to lead to increased walking, biking, and public transportation ridership. The DPP expects car-sharing to be an important component of Honolulu's increasingly multimodal transportation

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
Hawaii State House of Representatives  
Hawaii State Capitol  
RE: House Bill No. 1894, HD1  
February 20, 2014  
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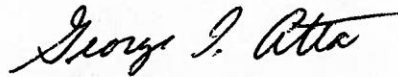
system, along with private cars, buses, rail, bikeshare, and improved pedestrian and bike facilities.

The DPP is considering policies that could facilitate increased car-sharing as part of its Transit Oriented Development (TOD) Program. We have found that developers are interested in incorporating car-sharing stations into their development plans in TOD areas to increase residents' choice while reducing the amount and cost of structured parking required.

In summary, the DPP **strongly supports** the State's efforts to remove barriers to car-sharing and defers to the State Legislature and car-sharing industry stakeholders to work out the finer details of the car-sharing vehicle surcharge tax.

Thank you for this opportunity to testify.

Very truly yours,



George I. Atta, FAICP  
Director

GIA:c  
HB1894HD1-sl

# 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 1894, HD-1

**INTRODUCED BY:** House Committee on Transportation

**BRIEF SUMMARY:** Adds a news section to HRS chapter 251 to provide the imposition of a car-sharing surcharge tax of \$ \_\_\_\_ per day for each vehicle used each month by members of a car-sharing organization. The surcharge tax shall be levied on the car-sharing organization.

Amends HRS section 251-1 to define “car-sharing organization” that operates a membership program in which: (1) self-service access to a fleet of vehicles is provided exclusively to members of the organization who have paid a membership fee; (2) members are charged a usage rate, either hourly or by the minute, for each use of a vehicle; (3) members are not required to enter into a separate written agreement with the organization each time the member reserves and uses a vehicle; and (4) the average paid use period for all vehicles provided by the organization during any calendar year is four hours or less.

**EFFECTIVE DATE:** July 1, 2014

**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.

It seems that a car-sharing arrangement is basically a rent-a-car company that allows renters to rent a car hourly. Such car-sharing companies seem to be in direct competition with rent-a-car companies that provide vehicles for rent and should be assessed a similar surcharge amount. If they are not, then issues arise as to how car-sharings and car rentals are to be distinguished.

Digested 2/19/14



Testimony of Cindy McMillan  
The Pacific Resource Partnership

Senate Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair  
Representative Aaron Ling Johanson, Vice Chair

HB 1894, HD1 – Relating to a Car-Sharing Vehicle Surcharge Tax  
Thursday, February 20, 2014  
11 a.m.  
Conference Room 308

Aloha Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the Committee:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP **supports** HB 1894, HD1 – Relating to a Car-Sharing Vehicle Surcharge Tax. This bill establishes a car-sharing vehicle surcharge tax, effective July 1, 2014

Car-sharing programs have very real benefits for the communities in which they operate, and existing barriers to entry in Hawaii prevent residents of the Islands from realizing these benefits. This bill will make it economically feasible for the private sector to fill a need in the transportation market.

PRP believes there are significant environmental, economic and social benefits of providing housing for local families in compact, walkable, bikable, and transit-ready neighborhoods. Transportation options play a key role in creating a quality experience for residents in this type of community. Many residents will find they can get around easily by walking, biking, and using transit – both bus and rail – and taxis, making it less important to own a vehicle.

However, there are times when an automobile is needed, and car sharing is for people who occasionally need a car but don't want the expense and/or trouble of car ownership.



February 20, 2014

Testimony Supporting HB 1894, HD1 – Relating to Car-Sharing

Page 2

Establishing an equitable tax on the car-sharing organization rather than on each transaction will make this transportation option viable.

PRP supports HB 1894, HD1 and respectfully asks that the Committee move it forward. Thank you for the opportunity to share our views on this important initiative with you.



COLLEGE OF SOCIAL SCIENCES  
**HAWAII ENERGY POLICY FORUM**  
UNIVERSITY OF HAWAI'I AT MĀNOA

**Hawaii Energy Policy Forum**

Jeanne Schultz Afuvai, Hawai'i Institute for Public Affairs  
Joseph Boivin, Hawai'i Gas  
Warren Bollmeier, Hawaii Renewable Energy Alliance  
Albert Chee, Chevron  
Elizabeth Cole, The Kohala Center  
Leslie Cole-Brooks, Hawai'i Solar Energy Assn  
Kyle Datta, Ulupono Initiative  
Laura Dierenfield, Queen Lili'uokalani Trust  
Mitch Ewan, UH Hawai'i Natural Energy Institute  
Jay Fidell, ThinkTech Hawai'i, Inc.  
Carl Freedman, Haiku Design & Analysis  
Sen. Mike Gabbard, Hawai'i State Senate  
Dan Giovanni, Hawaiian Electric Company  
Mark Glick, State Energy Office, DBEDT  
Justin Gruenstein, City & County of Honolulu  
Dale Hahn, Ofc of US Sen Brian Schatz  
Michael Hamnett, Research Corporation of the UH  
Robert Harris, Sierra Club  
Rachel James, Ofc of US Congresswoman Tulsi Gabbard  
Jim Kelly, Kaua'i Island Utility Cooperative  
Darren Kimura, Energy Industries Holdings  
Kelly King, Sustainable Biodiesel Alliance  
Rep Chris Lee, Hawai'i House of Representatives  
Gladys Marrone, Building Industry Assn of Hawai'i  
Doug McLeod, Maui County  
Stephen Meder, UH Ctr for Smart Building  
& Community Design  
Lauren Montez-Hernandez, Ofc of Sen Mazie Hirono  
Hermina Morita, Public Utilities Commission  
Sharon Moriawaki, UH Social Sciences Public Policy Ctr  
Ron Nelson, U.S. Defense Energy Support Center  
Tim O'Connell, U.S. Dept of Agriculture, Rural Develpt  
Jeffrey Ono, Division of Consumer Advocacy, DCCA  
Darren Pai, Hawaiian Electric Company  
Winteh K. T. Park, Ofc of US Congresswoman  
Colleen Hanabusa  
Melissa Pavlicek, Hawaii Public Policy Advocates  
Randy Perreira, Hawai'i Government Employees Assn  
Rick Rocheleau, UH Hawai'i Natural Energy Institute  
Will Rolston, Hawai'i County  
Peter Rosegg, Hawaiian Electric Co.  
Riley Saito, SunPower Systems Corp  
Joelle Simonpietri, U.S. Pacific Command Energy Ofc  
H. Ray Starling, Hawaii Energy  
Ben Sullivan, Kaua'i County  
Lance Tanaka, Tesoro Hawai'i Corp  
Maria Tome, State Energy Office, DBEDT  
Ah Linn Yamane, Hawaii Government Employees Assn

Testimony of Mitch Ewan  
Chair, Transportation Working Group  
Hawaii Energy Policy Forum

before the

House Committee on Finance  
Representative Sylvia Luke, Chair;  
Representative Scott Nishimoto, Vice Chair;  
Representative Aaron Johanson, Vice Chair;  
And Members

Thursday, February 20<sup>th</sup>, 2014 at 11:00 a.m., Conference Room 308

**IN STRONG SUPPORT OF HB1894 HD1, Relating to A Car Sharing Vehicle Surcharge Tax**

The Forum, an organization created in 2002, is comprised of 46 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the Neighbor Islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as our guide in advancing Hawaii's toward its preferred energy goals.

**HB1894 HD1** is providing a transportation option to achieve our clean energy goals. It amends *Section 251, Hawaii Revised Statutes*, to create a car-sharing vehicle surcharge tax. This addresses the current situation where the State Rental Car Surcharge taxes each car-share trip at the same flat rate as a daily car rental, resulting in tax rates well over 30% for a one-hour car-share trip.

The Forum supports the intent of this measure to provide our residents with affordable energy-efficient transportation options. At issue is the level of the surcharge for vehicles rented for less than a day, many for a couple hours; and the most efficient method of calculating and administering it.

This bill is an important step in energy-efficient transportation. The HEPF Transportation Working Group has been working with the affected stakeholders to develop this option. We defer to the departments of transportation and of taxation on the specific surcharge fee that can be efficiently administered. Specifically, one option that DOT recommends is to charge the car sharing organization a flat fee based on the average hours of daily rentals.

Based on the foregoing, we strongly support the bill be amended and passed. Thank you for the opportunity to testify.

*This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations.*

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

DATE: February 19, 2014

TO: Representative Sylvia Luke  
Chair, Committee on Finance  
*Via Email [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)*

RE: **H.B. 1894, H.D.1 - Relating to a Car-Sharing Vehicle Surcharge Tax**  
**Hearing Date: Thursday, February 20, 2014 at 11:00 am**  
**Conference Room 308**

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Dear Chair Luke and Members of the Committee on Finance:

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 respectfully **opposes** H.B. 1894 H.D.1 in its current form, but believes there are changes in approach that might address the issue the bill attempts to resolve.

H.B. 1894 H.D.1 would create a new definition and tax rate for a form of car rental that is termed “car sharing.” The intent of the bill appears to be to make what is called “car sharing” more affordable. The bill would create a new class of car use, called “car sharing.”

Enterprise presently operates car sharing outlets in Honolulu including at the University of Hawaii. The members of the Enterprise car sharing group pay the same surcharge as typical rental car customers. The fact is that all such uses, whether called car sharing or something else, are, in fact, car rentals. The basic principle is that cars are owned by an entity and people pay a fee in one form or another to that entity to be able to make use of those vehicles for some period of time. “Car sharing” is a form of car rental and has been recognized as such by a recent court decision in New York involving one of the national car sharing companies. In that case the judge stated: “This bargain – use of a car in exchange for a fee – appears little different from traditional companies, notwithstanding ZipCar’s marketing statements that contrast it with those companies. The court finds

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Gary M. Slovin  
Mihoko E. Ito  
Tiffany N. Yajima  
Jennifer C. Taylor

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Honolulu, HI 96813  
(808) 539-0840

ZipCar is in the trade or business of renting or leasing motor vehicles as those words are traditionally plainly understood.”

One of Enterprise’s concerns is that the rental car business is constantly evolving – due to advances in technology and consumer preferences. Car sharing is one such evolution, but it is not as dramatically distinct from traditional car rental as might appear. For example, Enterprise has been renting cars in neighborhoods for decades and that is actually how it’s business started. In fact, 90% of our customers are your constituents. Car rental is not merely rental for tourists and never has been. Further, one can be a member of our car sharing group at the University and rent for short periods, but consumers can also rent cars from Enterprise for very short periods of time at relatively low rates at our more traditional looking facilities. Each of these uses is car rental.

We do not believe it is appropriate to treat what is called ‘car sharing’ differently from other forms of car rentals. They are the same business and should be treated the same way. For that reason Enterprise has never sought an advantage for its car sharing business at the University. The fact also is that, as with other industries, the dramatically changing digital landscape is causing an evolution in the car rental business. As that evolution continues, the time is likely to come where nearly all car rentals will look very much the same. To write in this distinction in the law at this time for one form of car rental is not only unfair to other car renters but it will pretty clearly soon be inconsistent with where the industry is going. For example, in other markets, car sharing organizations are seeking to gain a presence at airports.

When this issue has come up before at the Legislature there has been general agreement that a pro rata approach would be sensible and acceptable to all parties. This proposal makes the most sense because, like the advocates for H.B. 1894 H.D.1, we agree that if a consumer is renting a vehicle for only 2-3 hours, then they should only be responsible for 2-3 hours of tax. However, the Department of Taxation has indicated that that is unworkable, and we can appreciate the Department’s concern.

Short term rental is not a unique situation as it has always been the case that many of our renters, many of whom are local residents, rent cars for short periods of time. Why should those people have to pay the surcharge while those who use a service called “car sharing” do not? That is not equitable. When the surcharge was adopted, all of the companies were concerned about this additional charge as a significant cost to renters. However, the legislature saw this as a reasonable means of raising revenue. However we may feel about the surcharge, it is only fair that all renters should pay it, or that no renters pay. But drawing a distinction between what is called “car sharing” and traditional car rental is truly a distinction without a substantive difference, and we do not believe that is fair.

Enterprise has worked hard as a family-owned company to pursue policies that are environmentally friendly. We likely have more hybrid and electric cars in our fleets than any other company. We have also introduced car sharing as a means of appealing to certain customers with unique needs. That is simply marketing and innovation. There are many ways of making this industry greener, and we are continually working hard to achieve that goal. But creating a false distinction between renters to give one an advantage over others in terms of the surcharge is not fair, logical or reasonable in our view. Enterprise believes that eliminating the present surcharge for one form of car rental and substituting some kind of monthly charge as proposed in H.B. 1894 H.D.1 is not an equitable proposal.

As we note above, a pro rata approach by which a car sharing member pays \$0.50 an hour up to a maximum of \$3.00, the present daily surcharge, would be a fairer and a more reasonable approach if the Department of Taxation can find a way to implement it.

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



HOUSE COMMITTEE ON FINANCE  
Thursday, February 20, 2014 – 11:00 a.m. – Room 308

**Ulupono Initiative Strongly Supports HB 1894 HD 1 with amendments, Relating to a Car-Sharing Vehicle Surcharge Tax**

Dear Chair Yamane, Vice Chair Takayama and Members of the Committee:

My name is Greg Gaug and I am a senior associate at the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

**Ulupono strongly supports HB 1894 HD 1 with amendments**, which adjusts the current tax code to distinguish, and tax accordingly, car-sharing rentals from traditional rental car operations.

According to DBEDT, roughly 28% of Hawaii's imported petroleum is consumed for ground transportation. To reach the goals of HCEI, the state needs to reduce and displace petroleum used for ground transportation. Currently, a good opportunity to support such goals is by encouraging the use and adoption of car-sharing among the general public. HB 1894 HD 1 will enable car-share companies to expand operations in Hawai'i since it is currently uneconomical given the current tax code.

According to Susan Shaheen of Berkeley's Transportation Sustainability Research Center, car-sharing has been shown to reduce the vehicle miles traveled of car-sharing members by up to 40-79% ("North American Car-sharing: 10-Year Retrospective"). That could equate to a reduction of over 200 gallons of oil each year per member (average 9,000 miles traveled, reduced by 50% at 21 miles per gallon). This impact could significantly reduce overall demand for petroleum used for ground transportation. In addition, car-sharing programs are a great complement to transit oriented development, public transportation, bike-sharing and other alternative modes of transportation. It enhances modality choices for residents and encourages smart transportation.

Ulupono supports the recommended amendments from the Hawaii Energy Policy Forum:

Amend Section 2 to read as follows:

SECTION 2. Chapter 251, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:



**“§251-1: Car-sharing vehicle surcharge tax.** There is levied and shall be assessed and collected a car-sharing vehicle maximum surcharge tax of \$2.50 per month per vehicle for each vehicle available for use during each month by members of a car-sharing organization. The car-sharing vehicle surcharge tax shall be levied upon the car-sharing organization and paid annually.

Amend Section 4 to read as follows:

SECTION 4. Chapter 251-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

- (5) At least sixty percent of all vehicle rentals made by the organization in Hawaii during the prior calendar year were made to residents of Hawaii.

Thank you for this opportunity to testify.

Respectfully,

Greg Gaug  
Senior Associate

Email: [communications@ulupono.com](mailto:communications@ulupono.com)



February 20, 2014

TO: HOUSE COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair  
Representative Scott Nishimoto, Vice Chair  
Representative Aaron Ling Johanson, Vice Chair

FROM: Michael Mikos, Director of Strategic Development

RE: HB 1894, HD1 Relating to a Car-Sharing Vehicle Surcharge Tax  
Position: Strong Support

Dear Chair Luke, Vice Chairs Nishimoto and Johanson and members of the Committee:

My name is Michael Mikos and I am the Director of Strategic Development for car2go, a wholly owned subsidiary of Daimler. We strongly support HB 1894, HD1 with amendments which defines a car-sharing organization and creates a car-sharing vehicle surcharge tax.

#### **Company Background**

car2go was designed by the Daimler Business Innovation Unit to provide an innovative mobility solution for urban areas like Honolulu by offering a network of several hundred environment friendly smart vehicles for rent. It provides "on demand" transportation, a free floating car-sharing service which complements existing public transportation alternatives. This is especially valuable in Honolulu with your robust bus system, pending bikeshare program and light rail.

car2go is currently operational in 25 cities in North America and Europe with more than 500,000 car2go members and 9,000 vehicles in service worldwide. (Attached is a current list of cities). car2go was designed to address significant issues facing cities today including alleviating congestion, reducing emissions and maintaining and improving quality of life.

#### **Business Model**

As the world's first free-floating carsharing service, car2go provides a new way of carsharing that is unique, particularly in these three areas:

- **BY THE MINUTE:** Members pay only for the time they use the car, by the minute, with discounted rates for hourly and daily use. There is no minimum amount of time that a car can be used. Parking, fuel, maintenance and insurance are included at no additional cost, and there are no annual or monthly fees, only a one time membership fee.



- ON DEMAND: Members can use the first available car2go they find, via a smart phone app, the car2go vehicle finder at car2go.com, by calling the customer call center, or by simply locating an available car2go on the street. There is no need to make a reservation in advance because members have unrestricted and unlimited access to car2go vehicles 24 hours a day, seven days a week.
- FREE-FLOATING: Members can pick up and drop off a car2go vehicle anywhere within the car2go Home Area. Members do not need to drive the car back to its original location or commit to a predetermined amount of time.

The car2go service appeals to a broad spectrum of the population and a typical rental length is less than 30 minutes.

### **Plans for Hawaii**

car2go anticipates bringing a service to Honolulu that will include approximately 150-200 cars. These cars will be available for rent in the densest areas of Honolulu from Diamond Head to Salt Lake. car2go will work with the City and County of Honolulu to acquire the necessary permits to allow members to park on-street throughout the Home Area.

car2go acknowledges and accepts the necessary fees and taxes currently in place to initiate a car-sharing business in Hawaii, with the exception of the rental car tax. As noted previously in this testimony, the rental car tax as currently applied is inappropriate in this situation and car2go supports the following amendment to replace lines 4-10 on page 2 of the bill:

(2) In the case of rentals or leases made by a car-sharing organization to its members of less than six hours in duration, the surcharge tax shall be 25 cents per half hour of each rental or lease; provided that for each rental or lease of six hours or more, the surcharge tax shall be \$3 per rental or lease.

car2go believes that this proposal is a fair and equitable application of the tax.

In conclusion, car2go requests your support of this bill. Thank you for the opportunity to submit these comments.



## **car2go locations:**

### **North America**

car2go is currently operational in 13 cities in North America.

Austin, Texas  
Miami, Florida  
San Diego, California  
Washington, D.C  
Portland, Oregon  
Seattle, Washington  
Denver, Colorado  
Minneapolis, Minnesota  
Columbus, Ohio

Vancouver, British Columbia  
Toronto, Ontario  
Calgary, Alberta  
Montreal, Quebec

### **Europe**

car2go is in 12 cities in Europe including:

Ulm, Germany  
Hamburg, Germany  
Munich, Germany  
Dusseldorf, Germany  
Berlin, Germany  
Cologne, Germany  
Stuttgart, Germany

Birmingham, England  
Amsterdam, Netherlands  
Milan, Italy  
London, United Kingdom  
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Testimony of  
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IN REPLY REFER TO:

STATE OF HAWAII  
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HONOLULU, HAWAII 96813-5097

February 21, 2014  
11:00 a.m.  
State Capitol, Room 308

**LATE**

**H.B. 1894 H.D. 1  
RELATING TO CAR-SHARING VEHICLE SURCHARGE TAX**

House Committee on Finance

The Department of Transportation (DOT) **supports** the intent of H.B. 1894, H.D. 1 which proposes to establish a car-sharing vehicle surcharge tax.

The bill proposes to establish and assess a car-sharing vehicle surcharge tax of an unspecified amount per day for each vehicle available for use or partially available for use during each month by members of a car-sharing organization. The car-sharing vehicle surcharge tax shall be levied upon the car-sharing organization.

The DOT agrees that car-sharing is a green transportation innovation and may provide the benefits of automobile access to members of car-sharing organizations who cannot afford or prefer not to own vehicles but have an occasional need to access vehicles to run errands.

The DOT recommends that the bill be revised to include language as contained in SB 2731 SD1 clarifying that car-sharing organizations shall not be subject to both the rental motor vehicle and car-sharing surcharge taxes.

The rental motor vehicle surcharge revenues deposited into the state highway fund amounted to \$47.6 million which equates to 18.6 percent of the total revenues for fiscal year 2013. The rental vehicle surcharge tax is a major source of revenues for the State Highway Fund. The State Highway Fund financial plan relies on the rental vehicle surcharge tax to support the continued operations, maintenance and construction of the State Highway System. The rental vehicle surcharge tax is also a major source of pledged revenues for the Highway revenue bonds.

The DOT recommends that the bill establish the car-sharing vehicle surcharge tax at a rate of \$3 per day for each vehicle available for use or partially available for use during each month by member of a car-sharing organization to preserve the revenues deposited into the State Highway Fund.