

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 David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 25, 2014
Time: 9:20 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2731, S.D. 1, Relating to a Car-Sharing Vehicle Surcharge Tax

The Department of Taxation (Department) appreciates the intent of S.B. 2731, S.D. 1 to establish a surcharge tax for car-sharing organizations and offers the following comments for your consideration.

S.B. 2731, S.D. 1 defines car-sharing organizations and imposes a surcharge tax on car-sharing organizations. The proposed surcharge is a daily charge per vehicle available for use or partial use during each month of operation and is prorated on an hourly basis. This measure, if approved, becomes effective July 1, 2014.

First, the Department recognizes the intent to propose a prorated surcharge tax in S.B. 2731, S.D. 1. Given that intent, the Department suggests amending subsection (a) of Section 2 of the bill to read as follows:

"(a) There is levied and shall be assessed and collected a car-sharing vehicle surcharge tax of \$_____ per hour, or any portion of an hour, that a rental motor vehicle is rented or leased by a car-sharing organization. The car-sharing vehicle surcharge tax shall be levied upon the car-sharing organization."

The above amendment will clarify the operation of the surcharge tax given the intent to prorate the charge.

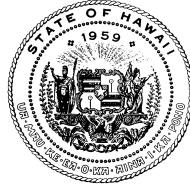
Second, the Department suggests strengthening the definition of car-sharing organization to ensure the intended business models benefit from the car-sharing surcharge. The Department suggests the definition of car-sharing organization be amended to read as follows:

"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; and
- (5) The average paid use period for all vehicles provided by the organization during any taxable period is four hours or less.

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 Rental Vehicle Surcharge Tax base.

Thank you for the opportunity to provide comments.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

SENATE COMMITTEE ON WAYS AND MEANS

S.B. 2731 S.D. 1, Relating to a Car-Sharing Vehicle Surcharge Tax

**Testimony of Gary Gill
Deputy Director, Environmental Health Administration**

**February 25, 2014
9:20 a.m.**

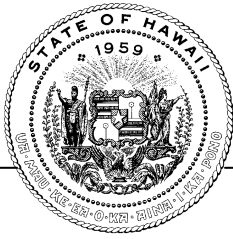
1 **Department's Position:** COMMENTS.

2 **Purpose and Justification:** The Department believes this measure will have numerous benefits for the
3 State of Hawaii because car-sharing will result in fewer vehicle miles traveled, lower greenhouse gas
4 emissions, and decreased transportation costs for Hawaii residents. It will also allow those who do not
5 want to own or cannot afford to own a car the flexibility of using a shared car for trips to locations that
6 are not easily accessible by walking, biking, or using public transportation. It has also been shown to
7 reduce roadway congestion and alleviate parking shortages, and, given the option to participate in a car-
8 sharing program, people that currently own a car may opt to sell their car or otherwise reduce the
9 number of cars in their household. At a time when the state is looking increasingly at Transit-Oriented
10 Development and Smart Growth, car-sharing makes sense from both a practical and environmental
11 standpoint.

12 The Department defers to the Departments of Taxation and Budget and Finance on the tax and
13 budget implications of this bill.

14 Thank you for the opportunity to provide comments on this measure.

Promoting Lifelong Health & Wellness



OFFICE OF PLANNING STATE OF HAWAII

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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
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, February 25, 2014
9:20 AM
State Capitol, Conference Room 211

in consideration of
SB 2731 SD1
RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

Chair Ige, Vice Chair Kidani, and Members of the Senate Committee on Ways and Means.

The Office of Planning supports the intent of SB 2731, SD1 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.¹

¹ 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.

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.

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

DATE: February 24, 2014

TO: Senator David Ige
Chair, Committee on Ways and Means
Submitted Via WAMtestimony@capitol.hawaii.gov

RE: **S.B. 2731, S.D.1 - Relating to a Car-Sharing Vehicle Surcharge Tax**
Hearing Date: Tuesday, February 25, 2014 at 9:20 am
Conference Room: 211

Dear Chair Ige and Members of the Committee on Ways and Means,

We submit these comments 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** S.B. 2731 S.D.1 in its current form, but believes that with amendments the bill could be workable.

S.B. 2731 S.D.1 would create a new class and tax rate for a form of car rental that is termed “car sharing.” The intent of the bill appears to be to make car sharing more affordable.

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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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.

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 S.B. 2731 S.D.1 is not an equitable proposal.

There has been general agreement that a pro rata approach would be acceptable to all parties. This proposal makes the most sense because, like the advocates for S.B. 2731 S.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. We believe that amending the bill so that each car sharing member pays \$0.50 an hour up to a maximum of \$3.00, which is the present daily surcharge, is fair and equitable. We understand that the Department of Taxation has expressed concerns about implementing a pro rata surcharge, and appreciate those concerns. However, if the Department can find a way to implement it, we feel that this approach would work and would minimize revenue loss while still achieving the result of making car sharing more affordable.

Below are the amendments we believe would accomplish a fair pro rata surcharge for car sharing, and also make it clear that car sharing is a form of car rental.

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

S.B. 2731 S.D.1 – PROPOSED S.D.2

RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

SECTION 1. The purpose of this Act is to create a car-sharing vehicle surcharge tax.

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

"§251- Car-sharing vehicle surcharge tax. (a) There is levied and shall be assessed and collected a car-sharing vehicle surcharge tax of 50 cents per hour per rental for a car-sharing organization, provided that for each rental of six hours or more, the tax rate shall be assessed at no more than \$3 per day.

(b) A car-sharing organization that is registered with the director pursuant to section 251-3 shall be subject to the surcharge imposed by this section and shall not be subject to the surcharges imposed by section 251-2. All rental motor vehicles and tour vehicles shall be subject to the surcharges imposed by section 251-2 and shall not be subject to the surcharge imposed by this section."

SECTION 3. Chapter 251, Hawaii Revised Statutes, is amended by amending its title to read as follows:

"[H]CHAPTER 251[H]"

RENTAL MOTOR VEHICLE [AND], TOUR VEHICLE, AND CAR-SHARING VEHICLE SURCHARGE TAX"

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

""Car-sharing organization" means a rental motor vehicle lessor that operates a membership program in which:

(1) Self-service access to a fleet of vehicles is provided, with or without requiring a reservation, 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;

SECTION 5. Section 251-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Each person as a condition precedent to engaging or continuing in the business of providing rental motor vehicles to the public or engaging or continuing in the tour vehicle operator business or a car-sharing organization shall register with the director. A person required to so register shall make a one-time payment of \$20, upon receipt of which the director shall issue a certificate of registration in such form as the director determines, attesting that the registration has been made. The registration shall not be transferable and shall be valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. The registration, or in lieu thereof a notice stating where the registration may be inspected and examined, shall at all times be conspicuously displayed at the place for which it is issued."

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

SECTION 7. This Act shall take effect on July 1, 2014.



SENATE COMMITTEE ON WAYS & MEANS
Tuesday, February 25, 2014 – 9:20 a.m. – Room 211

Ulupono Initiative Strongly Supports SB 2731 SD 1 with amendments, Relating to a Car-Sharing Vehicle Surcharge Tax

Dear Chair Baker, Vice Chair Kidani 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 SB 2731 SD 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. SB 2731 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.

To be clear, car-sharing does not displace or replace rental car rentals. The two forms of rental target separate consumer markets. Rental car market focuses on longer term rentals primarily for tourism and business consumers. Car-sharing focuses on short-term rentals (by the minute or hour) primarily for residents who do not own a car. Thus, car-sharing is not expected to steal share, or tax revenue, from the traditional rental car market. In addition, the distinct operating models of the two forms of rentals strongly warrant different taxation.

Ulupono supports the intent of the recommended amendments from SB 2731 and the Hawaii Energy Policy Forum:



Amend Section 2 making the surcharge tax pro rata on an hourly usage basis with a per day charge.

We recommend a maximum daily surcharge tax of \$3.00 per vehicle per day, prorated on an hourly basis of usage and rounded up to the next hour.

However, if implementing such a pro rata surcharge is prohibitively challenging by the Department of Taxation, then we support our previous testimony recommending to Amend Section 2 to read as follows:

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.

Thank you for this opportunity to testify.

Respectfully,

Greg Gaug
Senior Associate

Email: communications@ulupono.com



SENATE COMMITTEE ON WAYS AND MEANS

February 25, 2014, 9:20 A.M.
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 2731 SD1

Aloha Chair Ige and Members of the Committee:

The Sierra Club of Hawai'i, with over 12,000 dues paying members and supporters statewide, **supports** SB 2731 SD1. The intent of the bill is to exempt cars rented on an hourly basis to be exempt from the rental motor vehicle and tour vehicle tax, and to create a new tax so as to ensure the same revenue-stream comes into the Club. At the end of this testimony, we note a brief question as to the application of this measure and suggest clarification.

Car-sharing is a green transportation innovation that significantly reduces vehicle miles travelled, oil imports, greenhouse gas emissions and household transportation costs for Hawaii residents. However, the State has a flat rental car surcharge on all car-sharing rentals regardless of how long the car is rented. Car-sharing has a unique cost-structure and potential users already price sensitive, so applying this tax will effectively prevent car-sharing from ever succeeding in the State.

Although we might be mistaken, we note SB 2731 does not appear to expressly exempt this class of vehicles from the rental car fee. We recommend establishing a clear distinction between traditional car rental and car-sharing. Car-sharing rentals made to members of car-sharing organizations on an hourly basis should not be subjected to a flat rental car surcharge.

Mahalo for the opportunity to testify.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: SB 2731, SD-1

INTRODUCED BY: Senate Committee on Transportation and International Affairs

BRIEF SUMMARY: Adds a new section to HRS chapter 251 to impose a car-sharing surcharge tax of \$ ____ per day, prorated on an hourly basis and rounded upward to the next hour on each vehicle used each month by members of a car-sharing organization. Vehicles subject to the car-sharing vehicle surcharge tax shall not be subject to the rental motor vehicle and tour vehicle surcharge tax.

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; (4) the average paid use period for all vehicles provided by the organization during any calendar year is four hours or less; and (5) at least 60% of all vehicle rentals made by the organization during the prior calendar year were made to residents of Hawaii.

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.

Because a car-sharing arrangement basically seems to be 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 and should be assessed a similar surcharge amount.

However, it is curious why the proposed surcharge will only be imposed if at least 60% of the vehicle rentals were made to Hawaii residents during the prior calendar year. What happens if a car-sharing arrangement fails this requirement because it caters to visitors from out-of-state? Would no tax apply?

Also, what happens if a car-share is provided to an individual whose regular car is in the repair shop, which we understand is a relatively common occurrence? This situation is exempt from the current chapter 251 tax (section 251-2(a), HRS), so to preserve equity, it should not be taxed. The legislature should consider amending the bill to add this exemption.

Finally, current law imposes \$7.50 in tax for every day or fraction of a day that a vehicle is rented. While that amount may not seem oppressive in the context of a traditional car rental, such a flat amount could be seen as outrageous when applied to car-sharing for only a few hours. Perhaps the Legislature should consider prorating the tax per day if the vehicle is rented for less than one day.

Digested 2/23/14



February 25, 2014

TO: SENATE COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

FROM: Walter Rosenkranz, Business Development Manager

RE: SB2731 SD1 Relating to a Car-Sharing Vehicle Surcharge Tax
Position: Strong Support

Dear Chair Ige, Vice Chair Kidani and members of the Committee:

My name is Walter Rosenkranz and I am the Business Development Manager for car2go, a wholly owned subsidiary of Daimler. We strongly support SB2731 SD1 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 -9 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, since a typical car2go rental is less than 30 minutes.

In conclusion, car2go requests your support of this bill with the proposed amendment. 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
Vienna, Austria



SENATE COMMITTEE ON WAYS & MEANS

February 25, 2014, 9:20 A.M.

Room 211

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 2731 SD1, WITH COMMENTS

Chair Ige and members of the Committee on Ways & Means:

The Blue Planet Foundation supports SB 2731 SD1, establishing a car sharing vehicle surcharge tax that would be no more burdensome than traditional car rental taxes. This step will encourage car sharing as an innovative transportation option. Car sharing programs will help reduce the burdens of individual car ownership as well as reduce vehicle miles traveled, oil imports, greenhouse gas emissions, and household transportation costs for Hawaii residents. 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 2013, Hawaii cars burned nearly 450 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 2014, there are 1,110,237 registered passenger vehicles in Hawaii. If these vehicles were put bumper-to-bumper it would form a line approximately from Honolulu to Denver, Colorado.

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. Without Senate Bill 2731 SD1, car sharing may face an unfair tax burden, because of the application of traditional car rental taxes on a daily basis. Car

sharing typically occurs on an hourly basis, not per day. Thus, the car sharing surcharge tax in SB 2731 SD1 can remove a cost barrier to car sharing.

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 .

Although Blue Planet supports SB 2731 because it will take the minimum step of making car share taxes fair on balance with car rental taxes, we believe that the societal benefits of establishing a viable car share industry in Hawaii far outweigh the incremental tax intake from a car sharing surcharge. Thus, we encourage amendments to make car sharing more affordable for Hawaii residents by eliminating any car sharing surcharge tax. These vehicles already pay registration fees as well as other taxes, such as GET. Moreover, residents who do not own a car are more likely to use taxi services for some transportation. This activity would also contribute to the tax base. If a surcharge tax is necessary, the rate should be established at a low value to encourage this beneficial industry in Hawaii.

We believe car sharing programs can help reduce the cost of mobility for Hawaii residents while helping us to achieve our clean energy goals.

Thank you for the opportunity to testify.