
A BILL FOR AN ACT

RELATING TO MOTOR VEHICLE RENTAL INDUSTRY.

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

1 SECTION 1. The legislature finds that current law permits
2 rental car companies to recover certain mandatory government
3 fees, for the purpose of making a vehicle road-ready, from
4 rental car customers. However, the prorated formula is
5 calculated over a period of three hundred sixty-five days, which
6 results in a significant portion of the fees going unrecovered.
7 This is partially because rental cars are rented significantly
8 less than one hundred per cent of the time.

9 The legislature further finds that this result is not
10 consistent with the original intent of the law. Other states,
11 including California, have enacted laws that allow rental car
12 companies to pass on to consumers an amount closer to the full
13 recovery of mandatory government fees, while still preserving
14 transparency for the consumer. The legislature finds that it is
15 appropriate for Hawaii to follow this model.

16 The purpose of this Act is to reduce the pro rata
17 apportionment of the vehicle license and registration fee and



1 weight tax that may be passed on to 1/300th of the annual fees
2 and taxes.

3 SECTION 2. Section 437D-8.4, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) Notwithstanding any law to the contrary, a lessor may
6 visibly pass on to a lessee:

7 (1) The general excise tax attributable to the
8 transaction;

9 (2) The vehicle license and registration fee and weight
10 taxes, prorated at [~~1/365th~~] 1/300th of the annual
11 vehicle license and registration fee and weight taxes
12 actually paid on the particular vehicle being rented
13 for each full or partial twenty-four-hour rental day
14 that the vehicle is rented; provided the total of all
15 vehicle license and registration fees charged to all
16 lessees shall not exceed the annual vehicle license
17 and registration fee actually paid for the particular
18 vehicle rented;

19 (3) The surcharge taxes imposed in chapter 251
20 attributable to the transaction;



1 (4) The county surcharge on state tax under section 46-
2 16.8; provided that the lessor itemizes the tax for
3 the lessee; and

4 (5) The rents or fees paid to the department of
5 transportation under concession contracts negotiated
6 pursuant to chapter 102, service permits granted
7 pursuant to title 19, Hawaii Administrative Rules, or
8 rental motor vehicle customer facility charges
9 established pursuant to section 261-7; provided that:

10 (A) The rents or fees are limited to amounts that can
11 be attributed to the proceeds of the particular
12 transaction;

13 (B) The rents or fees shall not exceed the lessor's
14 net payments to the department of transportation
15 made under concession contract or service permit;

16 (C) The lessor submits to the department of
17 transportation and the department of commerce and
18 consumer affairs a statement, verified by a
19 certified public accountant as correct, that
20 reports the amounts of the rents or fees paid to



1 the department of transportation pursuant to the
2 applicable concession contract or service permit:
3 (i) For all airport locations; and
4 (ii) For each airport location;
5 (D) The lessor submits to the department of
6 transportation and the department of commerce and
7 consumer affairs a statement, verified by a
8 certified public accountant as correct, that
9 reports the amounts charged to lessees:
10 (i) For all airport locations;
11 (ii) For each airport location; and
12 (iii) For each lessee;
13 (E) The lessor includes in these reports the
14 methodology used to determine the amount of fees
15 charged to each lessee; and
16 (F) The lessor submits the above information to the
17 department of transportation and the department
18 of commerce and consumer affairs within three
19 months of the end of the preceding annual
20 accounting period or contract year as determined



1 by the applicable concession agreement or service
2 permit.

3 The respective departments, in their sole discretion,
4 may extend the time to submit the statement required
5 in this subsection. If the director determines that
6 an examination of the lessor's information is
7 inappropriate under this subsection and the lessor
8 fails to correct the matter within ninety days, the
9 director may conduct an examination and charge a
10 lessor an examination fee based upon the cost per hour
11 per examiner for evaluating, investigating, and
12 verifying compliance with this subsection, as well as
13 additional amounts for travel, per diem, mileage, and
14 other reasonable expenses incurred in connection with
15 the examination, which shall relate solely to the
16 requirements of this subsection, and which shall be
17 billed by the departments as soon as feasible after
18 the close of the examination. The cost per hour shall
19 be \$40 or as may be established by rules adopted by
20 the director. The lessor shall pay the amounts billed
21 within thirty days following the billing. All moneys



1 collected by the director shall be credited to the
2 compliance resolution fund."

3 SECTION 3. The motor vehicle rental industry shall report
4 to the legislature no later than twenty days prior to the
5 convening of the regular session of 2018 on the effect of this
6 Act on the average vehicle license recovery fee charged to each
7 customer on each motor vehicle rental, the profit margin of each
8 motor vehicle rental, and the actual time in service of each
9 motor vehicle rental.

10 For purposes of this section, "vehicle license recovery
11 fee" includes motor vehicle weight taxes under section 249-2,
12 Hawaii Revised Statutes, fees connected with registration of
13 specially constructed, reconstructed, or rebuilt vehicles as
14 referenced under section 286-41(c), Hawaii Revised Statutes;
15 fees connected with the registration of special interest
16 vehicles as defined in section 286-2, Hawaii Revised Statutes;
17 fees connected with the registration of imported vehicles as
18 referenced in section 286-41(c), Hawaii Revised Statutes;
19 license plate fees under section 249-7(b), Hawaii Revised
20 Statutes; and any use tax under chapter 238, Hawaii Revised
21 Statutes.



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on June 22, 2022,
4 and shall be repealed on June 30, 2019; provided that the
5 amendments made to section 437D-8.4(a), Hawaii Revised Statutes,
6 by section 2 of this Act shall not be repealed when section
7 437D-8.4, Hawaii Revised Statutes, is reenacted on December 31,
8 2027, pursuant to section 9 of Act 247, Session Laws of Hawaii
9 2005, as amended by Act 226, Session Laws of Hawaii 2008, Act
10 11, Session Laws of Hawaii 2009, Act 110, Session Laws of Hawaii
11 2014, and Act 240, Session Laws of Hawaii 2015.

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Report Title:

Motor Vehicle Rental Industry; Fees

Description:

Allows lessors of rental motor vehicles to pass on to lessees 1/300th vehicle license recovery fee. Requires the motor vehicle rental industry to report to the legislature prior to the regular session of 2018 and defines vehicle license recovery fee for purposes of the report. Sunsets 6/30/2019. Effective 6/22/2022. (SD1)

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