



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 10, 2017

GOV. MSG. NO. 1238

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 10, 2017, the following bill was signed into law:

HB735 HD2 SD2 CD1

RELATING TO MOTOR VEHICLE RENTAL
INDUSTRY
ACT 137 (17)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

Approved by the Governor
on JUL 10 2017
HOUSE OF REPRESENTATIVES
TWENTY-NINTH LEGISLATURE, 2017
STATE OF HAWAII

ORIGINAL
ACT 137
H.B. NO.

735
H.D. 2
S.D. 2
C.D. 1

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 a healthy and robust
2 rental car industry is vital to Hawaii's tourism economy and
3 supports tourism as an integral part of Hawaii's transportation
4 infrastructure. Although current law permits rental car
5 companies to recover from rental car customers certain mandatory
6 government fees paid by the companies to make rental vehicles
7 road-ready, the prorated formula is calculated over a period of
8 three hundred sixty-five days, which results in a significant
9 portion of the fees going unrecovered. Rental car companies
10 incur a shortfall in collections under current law, which
11 hinders their ability to provide a selection of rental cars to
12 customers, many of which are tourists who want to explore areas
13 of the State that require a rental car.

14 The legislature also finds that many other states have laws
15 permitting rental car companies to pass on to consumers an
16 amount closer to the full recovery of mandatory government fees.

17 The purpose of this Act is to amend the prorated amount of
18 vehicle license and registration fee and weight taxes that



1 rental car companies are allowed to pass on to lessees, and to
2 expand the categories of government fees that the companies are
3 permitted to collect.

4 SECTION 2. Section 437D-3, Hawaii Revised Statutes, is
5 amended by adding a new definition to be appropriately inserted
6 and to read as follows:

7 "Vehicle license recovery fees" includes motor vehicle
8 weight taxes under section 249-2; fees connected with the
9 registration of specially constructed, reconstructed, or rebuilt
10 vehicles, special interest vehicles, or imported vehicles as
11 referenced in section 286-41(c); license plate and emblem fees
12 under section 249-7(b); inspection fees as referenced in section
13 286-26; highway beautification fees as referenced in section
14 286-51(b) (1); and any use tax under chapter 238."

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

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

19 (1) The general excise tax attributable to the
20 transaction;



- 1 (2) The vehicle license [~~and registration fee and weight~~
2 ~~taxes,~~] recovery fees, prorated at [~~1/365th~~] 1/292nd
3 of the annual vehicle license [~~and registration fee~~
4 ~~and weight taxes~~] recovery fees actually paid on the
5 particular vehicle being rented for each full or
6 partial twenty-four-hour rental day that the vehicle
7 is rented; provided the total of all vehicle license
8 [~~and registration fees~~] recovery fees charged to all
9 lessees shall not exceed the annual vehicle license
10 [~~and registration fee~~] recovery fees actually paid for
11 the particular vehicle rented;
- 12 (3) The surcharge taxes imposed in chapter 251
13 attributable to the transaction;
- 14 (4) The county surcharge on state tax under section 46-
15 16.8; provided that the lessor itemizes the tax for
16 the lessee; and
- 17 (5) The rents or fees paid to the department of
18 transportation under concession contracts negotiated
19 pursuant to chapter 102, service permits granted
20 pursuant to title 19, Hawaii Administrative Rules, or



1 rental motor vehicle customer facility charges
2 established pursuant to section 261-7; provided that:

3 (A) The rents or fees are limited to amounts that can
4 be attributed to the proceeds of the particular
5 transaction;

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

9 (C) The lessor submits to the department of
10 transportation and the department of commerce and
11 consumer affairs a statement, verified by a
12 certified public accountant as correct, that
13 reports the amounts of the rents or fees paid to
14 the department of transportation pursuant to the
15 applicable concession contract or service permit:

16 (i) For all airport locations; and

17 (ii) For each airport location;

18 (D) The lessor submits to the department of
19 transportation and the department of commerce and
20 consumer affairs a statement, verified by a



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

16 The respective departments, in their sole discretion,
17 may extend the time to submit the statement required
18 in this subsection. If the director determines that
19 an examination of the lessor's information is
20 inappropriate under this subsection and the lessor
21 fails to correct the matter within ninety days, the



1 director may conduct an examination and charge a
2 lessor an examination fee based upon the cost per hour
3 per examiner for evaluating, investigating, and
4 verifying compliance with this subsection, as well as
5 additional amounts for travel, per diem, mileage, and
6 other reasonable expenses incurred in connection with
7 the examination, which shall relate solely to the
8 requirements of this subsection, and which shall be
9 billed by the departments as soon as feasible after
10 the close of the examination. The cost per hour shall
11 be \$40 or as may be established by rules adopted by
12 the director. The lessor shall pay the amounts billed
13 within thirty days following the billing. All moneys
14 collected by the director shall be credited to the
15 compliance resolution fund."

16 SECTION 4. No later than twenty days prior to the
17 convening of the regular session of 2019, the motor vehicle
18 rental industry shall report to the legislature on the effect of
19 this Act on the average vehicle license recovery fee charged to
20 each customer on each motor vehicle rental and the average time
21 in service of each motor vehicle rental.



1 SECTION 5. Beginning March 1, 2019, all rental car
2 companies shall submit an annual audit, to be conducted by a
3 third party certified public accountant, to the office of
4 consumer protection of the department of commerce and consumer
5 affairs by July 1 of every year.

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

8 SECTION 7. This Act shall take effect on July 1, 2017;
9 provided that the amendments made to section 437D-8.4(a), Hawaii
10 Revised Statutes, by section 3 of this Act shall not be repealed
11 when that section is reenacted on December 31, 2027, pursuant to
12 section 9 of Act 247, Session Laws of Hawaii 2005, as amended by
13 section 7 of Act 240, Session Laws of Hawaii 2015.

APPROVED this 10 day of JUL, 2017



GOVERNOR OF THE STATE OF HAWAII

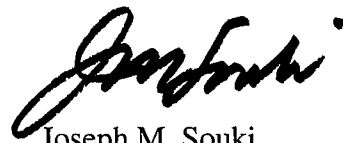


HB No. 735, HD 2, SD 2, CD 1

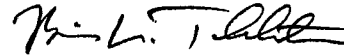
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives





Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate


Clerk of the Senate