

HB 735, HD2

RELATING TO MOTOR VEHICLE RENTAL INDUSTRY.

Allows lessors of rental motor vehicles to pass on to lessees a government assessed fee. Defines government assessed vehicle fee and vehicle license recovery fee. Requires a report by the Department of Business, Economic Development, and Tourism. Sunsets on June 30, 2018. (HB735 HD2)



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 22, 2017
1:15 p.m.
State Capitol, Room 225

H.B. 735, H.D. 2
RELATING TO MOTOR VEHICLE RENTAL INDUSTRY

Senate Committees on Transportation and Energy
& Commerce, Consumer Protection and Health

The Department of Transportation (DOT) **supports** H.B. 735, H.D.2 which allows rental car companies to fully collect from customers the government-assessed fees they pay while ensuring the protection of customers by expanding the categories that can be recovered by the rental car companies, prohibiting rental car companies from collecting more fees from customers than total fees paid, and requiring all rental car companies to undergo annual third party audits by a certified public accountant.

The additional government-assessed fees collected should assist rental car companies by increasing the frequency in terms of replenishing the vehicle rental fleet to provide newer and safer cars for customers to rent. In addition, it should support providing adequate fleet inventory to meet the customer demands for rental cars. By not addressing the demand, the traveling public may have to opt to other means of ground transportation which could be costlier and less flexible for the customer.

Thank you for the opportunity to provide testimony.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEES ON TRANSPORTATION AND ENERGY
AND
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

Thursday, March 22, 2017
1:15 P.M.
State Capitol, Room 225

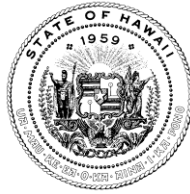
in consideration of
HB735, HD2
RELATING TO MOTOR VEHICLE RENTAL INDUSTRY

Chairs Inouye and Baker, Vice Chairs Dela Cruz and Nishihara and members of the Committees. The Department of Business, Economic Development & Tourism (DBEDT) appreciates the intent of HB 735, HD2, which requires DBEDT to do a report regarding the impacts of the collection of government-assessed vehicle fees.

However, the bill does not require the lessor to submit reports to DBEDT regarding motor vehicle rental activities and DBEDT would need this data to provide the information specified in the bill by the deadline. Without access to this data, a meaningful analysis is not possible.

Another issue is that some of the data required for the analysis does not exist, such as the performance of the local motor vehicle rental business and other transportation-related businesses and resident's neighbor island travel including length of stay. In order to obtain this data, a comprehensive survey would need to be conducted, which would require extensive time and cost to obtain the data.

Thank you for the opportunity to provide testimony.



DAVID Y. IGE
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SHAN S. TSUTSUI
LT. GOVERNOR

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PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION

TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
AND
TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION AND HEALTH

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

Wednesday, March 22, 2017
1:15 p.m.
Conference Room 225

TESTIMONY ON HOUSE BILL NO. 735, H.D. 2, RELATING TO MOTOR VEHICLE
RENTAL INDUSTRY.

TO THE HONORABLE LORRAINE R. INOUE, CHAIR,
AND TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND MEMBERS OF THE COMMITTEES:

The Department of Commerce and Consumer Affairs (“DCCA”), Office of
Consumer Protection (“OCP”) opposes House Bill No. 735, H.D. 2, Relating to Motor
Vehicle Rental Industry. My name is Stephen Levins and I am the Executive Director of
the OCP.

House Bill No. 735, H.D. 2 seeks to amend Hawaii’s Motor Vehicle Rental law,
Chapter 437D of the Hawaii Revised Statutes, in two significant ways. It adds license
plate fees and use taxes to the litany of fees that car rental companies are authorized to

visibly pass on to consumers and it creates a new unfair method for calculating the visible pass on. The measure also requires the Department of Business, Economic Development, and Tourism to submit to the Legislature a preliminary and final report on the impacts of the fees on tourism, local business, rental car companies, and residents and for the measure to be repealed on June 30, 2018.

The addition of “license plate fees” and “use taxes” to the list of taxes and fees would appear to be inconsistent with existing law governing visible pass on in car rental transactions. Under current law the car rental industry is only allowed to visibly pass on recurring costs, such as, general excise taxes, license and registration fees, surcharge taxes, and rents and fees payable to the State Department of Transportation. They are not allowed to visibly pass on fixed one-time costs of doing business, such as, use taxes attributable to the importation of motor vehicles to the state, and license plate fees. In this regard, authorizing the fees would be a significant departure from the existing statutory policy favoring the visible pass on of only recurring government fees and taxes.

Currently, the Motor Vehicle Rental law authorizes a visible “pass on” to consumers only if it is prorated at 1/365th of the annual fees and taxes actually paid on the particular vehicle being rented. What this means is that a consumer is charged for the amount of fees and taxes that is directly attributable to their use of the vehicle. It is a logical and fair method of “passing on” these costs.

The Department is opposed to House Bill No. 735, H.D. 2 because it will be unfair to certain consumers by creating a state of affairs in which they may be charged an excessive amount for fees and taxes.

This amendment unnecessarily complicates the calculation of the pass on. Under the current system, rental car companies are able to recoup from their customers the actual fees and taxes attributable to the rental of the vehicle on a specific day. The consumer pays the car rental company the exact amount that they should, neither more nor less.

Although House Bill No. 735, H.D. 2 attempts to rectify overpayments by mandating that excessive amounts collected from consumers during a particular year must be applied to the following year's receipts, the reconciliation process will still not prevent an overpayment by individual consumers. The inherent fairness of current law is that no renter will be subject to an overpayment.

Thank you for providing me with the opportunity to testify on House Bill No. 735, H.D. 2. I will be happy to answer any questions that the Committee members may have.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Transportation and Energy
and the Senate Committee on Commerce,
Consumer Protection, and Health
Wednesday, March 22, 2017 at 1:15 P.M.
Conference Room 225, State Capitol**

**RE: HOUSE BILL 735 HD2 RELATING TO MOTOR VEHICLE RENTAL
INDUSTRY**

Chairs Inouye and Baker, Vice Chairs Dela Cruz and Nishihara, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 735 HD2, which allows lessors of rental motor vehicles to pass on to lessees a government assessed fee; defines government assessed vehicle fee and vehicle license recovery fee; requires a report by the Department of Business, Economic Development, and Tourism; sunsets on June 30, 2018.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The rental car industry is an essential part of Hawaii's tourism industry. Keeping Hawaii's rental car companies healthy is important so that they can continue to be a key strategic partner in the tourism industry. As part of their overall health, car rental companies must maintain a quality fleet of vehicles in excellent condition and in good repair, as this creates an overall positive first impression for tourists renting cars on arrival and ensure a great customer experience.

- Rental car companies now maintain an inventory of many more vehicles than 10-20 years ago. Today's tourists seek new adventures, often venturing outside of traditional tourist areas to "undiscovered" locations which require a rental car to access. Tourists seek flexibility and independence while on vacation, and rent cars in order to customize their visitor experience.
- To meet these needs, rental car companies provide a large selection of vehicles to customers to ensure a vehicle is available for rent that matches their needs (passenger and luggage capacity, Bluetooth technology, color, convertible, 4-wheel drive, SUV, etc.).

This bill seeks to modernize Hawaii's vehicle license fee recovery law so that it is in line with 38 other states that allow rental car companies to fully pass on the government fees they pay



Chamber of Commerce HAWAII

The Voice of Business

to rental car customers. The change being proposed would allow rental car companies to recover all of the government fees they pay for their cars, rather than the fraction of the fees that they are currently collecting under the existing law. While this would result in a very modest increase (less than 50 cents per day per vehicle) in the overall fee paid by customers, it would also mean that the companies will be able to reinvest the recovered fees back into the business to further enhance the customer's experience while in Hawaii.

Generally, businesses are able to pass on the basic costs of conducting business, but in this case, the current law essentially prevents rental car companies from recovering their costs of bringing vehicles into the State. For rental car companies, the deficit between the government fees they pay and what they collect continues to grow, putting continued pressure on the rental car industry's overall business operations.

- The current law only allows a 1/365th per day recovery for certain government fees but not others.
- Rental car companies essentially lose money under the current law because vehicles are only "on rent" and recovering fees on average for 80% each calendar year. Rental car companies also take rental cars out of service regularly for cleaning, preventative maintenance, and to handle recalls.

As a partner to the rental car industry, the Chamber respectfully asks for your support for this proposed legislation. We believe that modernizing Hawaii's law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market as a whole.

Thank you for the opportunity to testify.

Testimony of
Garrick Higuchi
Zone Vice President – Hawaiian Islands
On behalf of
Hertz Global

DATE: March 20, 2017

TO: Senator Lorraine Inouye, Chair
Senator Donovan Dela Crus, Vice Chair
Senate Committee on Transportation & Energy
and
Senator Rosalyn Baker, Chair
Senator Clarence Nishihara, Vice Chair
Senate Committee on Commerce, Consumer Protection & Health

RE: House Bill 735 and HD2

Dear Chairs Inouye and Baker, Vice Chairs Dela Crus and Nishihara, and members of the Senate Committees on Transportation and Energy and Commerce, Consumer Protection and Health

We submit these comments on behalf of Hertz Global, which includes Dollar Rental A Car and Thrifty Car Rental.

Hertz is a strong supporter of House Bill 735. These amendments will modernize the Hawaii vehicle license fee law so that it is more in line with 38 other states that allow rental car companies to pass on to rental car customers the government fees that are assessed on each vehicle.

Currently, the law uses a formula that does not permit a complete recovery of vehicle licensing fees. The current law states that car rental companies operating in Hawaii may only recoup from their customers 1/365th per day of certain government fees paid on a vehicle. This formula creates a shortfall as rental car companies do not recover vehicle licensing fees on every vehicle every day. As the shortfall between what is paid and collected continues to grow, the rental car industry faces increased pressure on business operations. We understand that the Senate is considering amending the legislation so that it would more accurately reflect the average time vehicles are rented, and we agree with that approach.

House Bill 735 does provide a more reasonable formula and would enable rental car companies to recover a more accurate amount of its vehicle license costs.

The State will not recover any less fees from rental car companies with the passage of this legislation.

Hertz and its Dollar and Thrifty brands are long time employers on the Islands and pride themselves on the significant contributions they have made to Hawaii's community and economy. A healthy and robust rental car industry is vital to Hawaii's tourism economy.

Hertz also joins the other rental car companies in developing a more accurate definition for "vehicle license recovery fee," and working on the parameters of the report requested on consumer response.

All these amendments would put Hawaii in line with the majority of states that permit a complete pass through and recovery of vehicle licensing fees.

Hertz strongly supports these measures and urges the committee to pass the bill with amendments.

Thank you for the opportunity to submit this testimony.

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

"Government assessed vehicle fees" includes motor vehicle weight taxes under section 249-2; fees connected with the registration of specially constructed, reconstructed, or rebuilt vehicles, special interest vehicles, or imported vehicles as referenced in section 286-41(c); license plate fees under section 249-7(b); and any use tax under chapter 238."

"Vehicle license recovery fee" means a charge that seeks to recover the amount of any government assessed vehicle fees paid by a rental company."

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

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

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

(2) ~~The [vehicle license and registration fee and weight taxes, prorated at 1/365th of the annual vehicle license and registration fee and weight taxes actually paid on the particular vehicle being rented for each full or partial twenty-four-hour rental day that the vehicle is rented; provided the total of all vehicle license and registration fees charged to all lessees shall not exceed the annual vehicle license and registration fee actually paid for the particular vehicle rented;]~~ -government assessed vehicle fees vehicle license recovery fee, which shall be calculated by totaling the aggregate government assessed vehicle fees paid annually and dividing that amount by the anticipated number of annual rental days of the vehicle; provided that the aggregate fee charged to all vehicle lessees annually shall not exceed the total fees annually paid in the same year; provided further that:

- (A) If the aggregate amount of ~~government assessed vehicle fees~~ vehicle license recovery fees collected from lessees under this section in a particular year exceeds the aggregate amount of government assessed vehicle fees paid by the lessor in the same year, the lessor shall retain the excess amount of fees collected and reduce the amount of ~~government assessed vehicle fees~~ vehicle license recovery fees charged to lessees the following year by the corresponding amount; and
- (B) The lessor shall submit annually to the director and the director of the office of consumer protection a statement verified by a third party certified public accountant as accurate, that reports the total amount of the government assessed vehicle fees paid by the lessor in a particular year, and the total amount of the annual ~~government assessed vehicle fees~~ vehicle license recovery fees collected from lessees in the same year;



Senator Lorraine Inouye, Chair
Senator Donovan Dela Cruz, Vice Chair
Senate Committee on Transportation and Energy

Senator Rosalyn Baker, Chair
Senator Clarence Nishihara, Vice Chair
Senate Committee on Commerce, Consumer Protection and Health

Wednesday, March 22, 2017; 1:15 PM
Hawaii State Capitol; Conference Room 225

RE: HB 735 HD2 – Relating to Motor Vehicle Rental Industry – IN SUPPORT WITH COMMENTS

Chairs Inouye and Baker, Vice Chairs Dela Cruz and Nishihara and Members of the Committees:

My name is Michael Luedtke, Hawaii Regional Manager for Avis Budget Group. Thank you for giving us this opportunity to offer testimony in support of HB 735 HD2, which allows lessors of rental motor vehicles to pass on to lessees a government assessed fee.

This bill will update Hawaii's rental motor vehicle law and put Hawaii in line with the other states that allow for the full pass through and recovery of vehicle licensing fees.

Vehicles are not rented every day of the year due to down time for maintenance. The average vehicle is rented 20 – 25 days per month. Therefore, the current 1/365 methodology results in a shortfall and adds up to a significant amount. HB 735 HD2, if passed, will allow rental car companies to recover all of the government assessed fees that are paid on our vehicles. The current law does not permit the recovery of highway beautification fees, license plate and emblem fees, safety inspection fees and use tax paid when vehicles are registered.

Visitors represent approximately 90% of our market. The price increase would be minimal (less than \$.50 per vehicle per day) and would allow us reinvest to enrich the visitor experience.

We would like to offer the following comments regarding the HD2.

- The current draft requests the Department of Business, Economic Development and Tourism to submit preliminary and final reports to the legislature on the impacts of the collection of government assessed fees provided for in this Act. The information requested is overly broad. For such a report to be useful, we suggest more clearly defining the scope of the report.
- The HD2 also has a sunset date of June 30, 2018. We ask the committees to consider extending this.

If the committees are inclined to adopt the Senate version of the bill, we would like to request the following amendments:

- Amend the definition of vehicle license recovery fees to be included in the HRS as well as for the study, and to include all of the government paid fees including emblem, inspection and highway beautification fee.
- Insert a fraction to more accurately reflect the average time vehicles are rented, around 80% annually, or $1/292$ of the fees of an annual fees paid on each vehicle.
- Amend the parameters of the report to the legislature to reflect what is most relevant to the industry's additional recovery of the vehicle license recovery fee – the average fee charged to each consumer, and the average time in service of each vehicle.

Thank you again for the opportunity to submit testimony. We ask for your favorable consideration of this measure.



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 735 HD2

Relating To Motor Vehicle Rental Industry

COMMITTEE ON TRANSPORTATION AND ENERGY

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Wednesday, March 22, 2017, 1:15 pm

Conference Room 225

Dear Chairs Inouye and Baker; Vice Chairs Dela Cruz and Nishihara; and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 175 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **in support** of HB 735 HD2, which allows lessors of rental motor vehicles to pass on to lessees a government assessed fee. Defines government assessed vehicle fee and vehicle license recovery fee. Requires a report by the Department of Business, Economic Development, and Tourism. Sunsets on June 30, 2018.

This Bill seeks to modernize Hawaii's vehicle license fee recovery law so that it is in line with 38 other states that allow rental car companies to fully pass on the government fees they pay to rental car customers. The change being proposed would allow rental car companies to recover all the government fees they pay for their cars, rather than the fraction of the fees that they are currently collecting under the existing law. While this would result in a very modest increase (less than 50 cents per day per vehicle) in the overall fee paid by customers, it would also mean that the companies will be able to reinvest the recovered fees back into the business to further enhance the customer's experience while in Hawaii.

MHLA respectfully asks for your support for this proposed legislation. We believe that modernizing Hawaii's law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market.

Thank you for the opportunity to testify.



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Support for H.B. 735, HD2 Vehicle License Fee Recovery

H.B. 735, HD2 will amend Hawaii's vehicle license fee recovery law to be more consistent with 38 other states in allowing rental car companies to fully pass on the government fees they pay. The proposed law will allow rental car companies to recover all of the government fees paid, rather than the fraction allowed under current law.

The rental car industry is critical to Hawaii's tourism industry and the state economy as a whole. By offering an ample and diverse fleet of vehicles in top condition and good repair, car rental companies contribute to the overall positive visitor experience for tourists visiting the island.

To meet a variety of rental needs, rental car companies keep a large selection to ensure a vehicle is available for customer requirements, including: number of passengers; luggage capacity, technology; color, convertibles, 4-wheel drive, SUV, etc.

Generally, businesses are able to pass on costs of doing business. But under current law, rental car companies are unable to recover costs of bringing vehicles into the State. For rental car companies, the deficit between the government fees paid and what they collect continues to grow, putting undue pressure on the rental car industry's overall business operations.

The current law only allows a 1/365th per day recovery for certain government fees but not others. Rental car companies essentially lose money under the current law because vehicles are only "on rent" and recovering fees on average for 80% each calendar year. Rental car companies also take rental cars out of service regularly for cleaning, preventative maintenance, and to handle recalls.

The American Car Rental Association respectfully asks for your support for this proposed legislation. We believe that modernizing Hawaii's law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market as a whole.

Thank you again for permitting us to share our industry's perspective. Please feel free to contact me if you should have any questions or would like to discuss this matter further.

Sincerely,

A handwritten signature in black ink that reads "sharon faulkner". The signature is written in a cursive, lowercase style.

Sharon Faulkner
Executive Director

SanHi Government Strategies

Gary M. Slovin
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DATE: March 21, 2017

TO: Senator Lorraine Inouye
Chair, Committee on Transportation and Energy

Senator Rosalyn Baker
Chair, Committee on Commerce, Consumer Protection, and Health

Submitted Via Capitol Website

RE: **H.B. 735, H.D.2 – Relating to Motor Vehicle Rental Industry**
Hearing Date: Wednesday, March 22, 2017 at 1:15 p.m.
Conference Room: 225

Dear Chair Inouye, Chair Baker, and Members of the Committees:

We submit this testimony on behalf of Enterprise Holdings in Hawaii, which operates Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise Rideshare (Van Pool).

Enterprise **strongly supports** H.B. 735, H.D.2, which modernizes the vehicle license fee law to be in line with 38 other states that allow rental car companies to pass on to customers the government fees that are assessed on each vehicle.

This bill seeks to address a shortcoming in the law that regulates the rental car industry. Chapter 437D, which imposes regulatory requirements over rental car companies, was enacted to ensure that each rental transaction to customers was done in a fair and transparent manner. As part of this transparency, the law requires that rental car companies must visibly list on its rental car contracts the fees and taxes that they incur. Although this law was aimed at making sure those fees were disclosed to the customer, it fails to include all of the fees the companies pay to make vehicles road ready.

Gary M. Slovin
Mihoko E. Ito
R. Brian Tsujimura
C. Mike Kido
Tiffany N. Yajima
Matthew W. Tsujimura

Specifically, the law includes some fees that the companies pay to make the vehicle ready to rent (registration and weight tax), but not others (license plate fees, GET, and beautification fees). In addition, due to a formula in the law for calculating the fees, currently, car rental companies may only recover from their customers 1/365th per day of the fees paid.

The current law virtually ensures that car rental companies in Hawaii under-collect government taxes and fees. Rental cars are only rented on average 80% of the calendar year. Vehicles are routinely grounded for routine maintenance and cleaning, repair, or recall. When cars are grounded, vehicles cannot be rented and fees go uncollected. As the deficit between what is paid and collected continues to grow, the rental car industry faces increased pressure on business operations.

This bill would allow car rental companies to recover all of the government assessed fees that are paid on these vehicles. This modest increase in price amounts to less than 50 cents per vehicle per day and is assessed on rental car customers, who are predominantly tourists. This would allow car rental companies to reinvest the recovered fees back into their businesses to further enhance the visitor experience by ensuring a wide variety and selection of vehicles are available for rent to match customer needs.

Enterprise Holdings provides over 1000 jobs locally throughout the state, and prides itself on the significant contributions it has made to Hawaii's community. A healthy and robust rental car industry is vital to Hawaii's tourism economy. This measure will ensure that Enterprise's operations in Hawaii are in-line with 38 other states where recovery is allowed, and can continue to provide quality services that support the tourism industry and local rental market.

Enterprise supports the H.D.2 version of the bill, but has concerns regarding the sunset date of one year, and the parameters of the DBEDT study which we feel may be overly broad. We also support the Senate version of the bill, with amendments.

If the Committee is inclined to utilize the Senate version of the bill, we would respectfully ask for the following amendments as outlined below:

- Amend the definition of vehicle license recovery fees to allow these fees to be included in the HRS as well as the study, and to include all of the government paid fees including emblem, inspection and highway beautification fee.
- Insert a fraction to reflect the average time vehicles are rented, around 80% annually, or 1/292 of the fees of an annual fees paid on each vehicle.
- Amend the parameters of the report to the legislature to reflect what is most relevant to the industry's additional recovery of the vehicle license recovery fee – the average fee charged to each consumer, and the average time in service of each vehicle.

We have included proposed language for changes to the Senate version of the bill for the Committee's reference below.

Thank you for the opportunity to submit testimony in strong support of this measure.

PROPOSED EDITS TO SB 657, SD2:

SECTION 1. The legislature finds that a healthy and robust rental car industry is vital to Hawaii's tourism economy and supports tourism as an integral part of Hawaii's transportation infrastructure. Although current law permits rental car companies to recover from rental car customers certain mandatory government fees paid by the companies to make rental vehicles road-ready, the prorated formula is calculated over a period of three hundred sixty-five days, which results in a significant portion of the fees going unrecovered. **In addition, the categories of government fees that the companies are permitted to collect do not reflect the total fees paid by rental car companies.** Rental car companies **therefore** incur a shortfall in collections under current law, which hinders their ability to provide a selection of rental cars to customers, many of which are tourists who want to explore areas of the State that require a rental car.

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

The purpose of this Act is to amend the prorated amount of vehicle license and registration fee and weight taxes that rental car companies are allowed to pass on to lessees.

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

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

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

"§437D-8.4 License and registration fees. (a) Notwithstanding any law to the contrary, a lessor may visibly pass on to a lessee:

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

(2) The vehicle license **recovery fees and registration fee and weight taxes**, prorated at [1/365th] **1/292** of the annual vehicle license **recovery fees and registration fee and weight taxes** actually paid on the particular vehicle being rented for each full or partial twenty-four-hour

Page 4

rental day that the vehicle is rented; provided the total of all vehicle license **recovery fees and registration fees** charged to all lessees shall not exceed the annual vehicle license **recovery fees and registration fee** actually paid for the particular vehicle rented;

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

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

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

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

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

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

(i) For all airport locations; and

(ii) For each airport location;

(D) The lessor submits to the department of transportation and the department of commerce and consumer affairs a statement, verified by a certified public accountant as correct, that reports the amounts charged to lessees:

(i) For all airport locations;

(ii) For each airport location; and

(iii) For each lessee;

(E) The lessor includes in these reports the methodology used to determine the amount of fees charged to each lessee; and

(F) The lessor submits the above information to the department of transportation and the department of commerce and consumer affairs within three months of the end of the preceding annual accounting period or contract year as determined by the applicable concession agreement or service permit.

The respective departments, in their sole discretion, may extend the time to submit the statement required in this subsection. If the director determines that an examination of the lessor's information is inappropriate under this subsection and the lessor fails to correct the matter within ninety days, the director may conduct an examination and charge a lessor an examination fee based upon the cost per hour per examiner for evaluating, investigating, and verifying compliance with this subsection, as well as additional amounts for travel, per diem, mileage, and other reasonable expenses incurred in connection with the examination, which shall relate solely to the requirements of this subsection, and which shall be billed by the departments as soon as feasible after the close of the examination. The cost per hour shall be \$40 or as may be established by rules adopted by the director. The lessor shall pay the amounts billed within thirty days following the billing. All moneys collected by the director shall be credited to the compliance resolution fund."

SECTION 3. No later than twenty days prior to the convening of the regular session of 2019, the motor vehicle rental industry shall report to the legislature on the effect of this Act on the average vehicle license recovery fee charged to each customer on each motor vehicle rental, ~~the profit margin of each motor vehicle rental,~~ and the **average actual** time in service of each motor vehicle rental.

For purposes of this section, "vehicle license recovery fee" includes motor vehicle weight taxes under section 249-2, Hawaii Revised Statutes; fees connected with registration of specially constructed, reconstructed, or rebuilt vehicles as referenced under section 286-41(c), Hawaii Revised Statutes; fees connected with the registration of special interest vehicles as defined in section 286-2, Hawaii Revised Statutes; fees connected with the registration of imported vehicles as referenced in section 286-41(c), Hawaii Revised Statutes; license plate **and emblem** fees under section 249-7(b), Hawaii Revised Statutes; **inspection fees as referenced in section 286-26, Hawaii Revised Statutes; highway beautification fees as referenced in section 286-51(b)(1), Hawaii Revised Statutes;** and any use tax under chapter 238, Hawaii Revised Statutes.

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

SECTION 5. This Act shall take effect on **July Mareh** 1, 2050; provided that the amendments made to section 437D-8.4(a), Hawaii Revised Statutes, by section 2 of this Act shall not be repealed when that section is reenacted on December 31, 2027, pursuant to section 9 of Act 247, Session Laws of Hawaii 2005, as amended by section 7 of Act 240, Session Laws of Hawaii 2015.