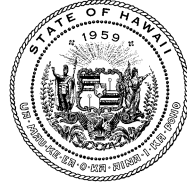


DAVID Y. IGE
GOVERNOR
JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

RONA M. SUZUKI
DIRECTOR OF TAXATION
DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Rona M. Suzuki, Director
Department of Taxation

Re: **H.B. 1930 H.D. 1, Relating to Taxation**

Date: Thursday, February 20, 2020

Time: 11:00 A.M.

Place: Conference Room 308, State Capitol

The Department of Taxation (Department) appreciates the intent of this measure and provides the following comments regarding H.B. 1930, H.D. 1.

Originally, H.B. 1930 proposed to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 per day. The House Committee on Transportation amended the measure to amend the surcharge to an unspecified amount and defected the effective date to July 1, 2050.

The Department is able to administer this measure provided that a functional effective date is inserted and that any change be made effective no earlier than January 1, 2021. This will allow sufficient time for the Department to make necessary form and computer system changes.

Thank you for the opportunity to provide comments.



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

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

February 20, 2020
11:00 A.M.
State Capitol, Room 308

H.B. 1930, H.D. 1
RELATING TO TAXATION

House Committee on Finance

The Department of Transportation (DOT) **supports** this bill which increases the rental motor vehicle surcharge tax by an unspecified amount.

The increase in revenues will provide safer infrastructure enhancements for all users including pedestrians, bicyclists, transit users and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program.

Additionally, the DOT respectfully requests appropriation out of this increased surcharge tax to cover payment of the 5% central services assessment.

From the Airports perspective the DOT offers the following comments to this bill:

Any additional fees to on-airport rental car users may decrease rental car transaction days in which customers may opt for another mode of transportation resulting in a reduction of rental transaction days, thus decreasing Customer Facility Charge (CFC) revenues needed to meet current bond covenants, satisfy existing debt service obligations, retain high bond ratings, and ensure the marketability of the next bond issuance to be utilized to complete the construction of the consolidated rental car facility projects at the Daniel K. Inouye Honolulu International and Kahului Airports, in addition to future rental car projects at other Hawaii airports. It could also impact rental car concession revenues and risk dilution to potential investors in any future CFC backed bond financing.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
BONNIE KAHAKUI
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>
Twitter: [@hawaiispo](https://twitter.com/hawaiispo)

TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE
February 20, 2020, 11:00AM

HB 1930, HD1
RELATING TO TAXATION

Chair Luke, Vice Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on HB1930, HD1. The State Procurement Office (SPO) offers the following comments on this bill:

SPO has a current intra-state rental car contract used by majority of the jurisdictions. Last session, Governor Ige signed into law Act 174, which increased the rental motor vehicle surcharge tax from \$3 to \$5 a day, thus raising our contract prices by \$2. If the tax is raised from \$5 to \$8, this would result in the tax nearly tripling in value over the last two years.

In FY 2019, there were approximately 23,682 rental days where the state paid an approximate increase of \$47,364 due to Act 174. A tax increase of \$5 to \$8 would mean the state would be paying an additional \$71,046 with a \$3 tax increase in the upcoming fiscal year.

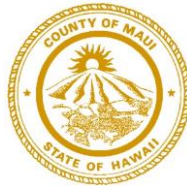
The daily tax increase could reduce usage, affecting the State Airports management, and more importantly, funding of airport car rental facilities as the business model for maintaining car rental facilities and services is based on the revenues received.

Furthermore, the HB 1930, HD1 does not support any justification for this proposed tax increase or supply guidance on what the additional tax revenues would be used for or why it is needed. A penalty tax without a value proposition is not a recommended best practice.

Thank you.

Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

February 19, 2020

TESTIMONY OF MICHAEL P. VICTORINO
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON FINANCE
Thursday, February 20, 2020, 11:00 a.m.
Conference Room 308

HB1930 HD1 RELATING TO TAXATION

Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

Thank you for this opportunity to submit comments on **HB1930 HD1**.

The original version of this measure increased the amount of the rental motor vehicle surcharge tax from the current \$5.00 to \$8.00 per day.

The revenue from this surcharge would provide necessary funds to the counties for critical infrastructure improvements. Maui County leads the neighbor islands in the number of annual visitors, surpassing 3 million visitors in 2019. The funds from this increase in the surcharge would equitably use visitor dollars to help maintain and improve Maui's roads.

According to the Maui Metropolitan Planning Organization's Hele Mai Maui 2040 Long Range Transportation Plan, a rental vehicle surcharge is one of the most viable funding sources for critical road projects in our county. Vital projects in Maui County include the completion of the Paia bypass and the Honoapiilani Highway realignment. These projects are necessary for both safety and economic vitality given the impacts of sea level rise and increased traffic congestion.

However, HD1 changes the surcharge tax to an "unspecified amount." We consider that phrase to be too vague, and might even be construed as authorizing a reduction in the surcharge. Accordingly, we continue to support the original bill increasing the surcharge for highway projects.

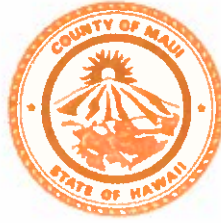
Thank you for considering these comments on HB1930 HD1.

February 19, 2020
Page 2

MICHAEL P. VICTORINO
Mayor

MARC I. TAKAMORI
Director

MICHAEL B. DU PONT
Deputy Director



DEPARTMENT OF TRANSPORTATION
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793

TELEPHONE: (808) 270-7511
FAX: (808) 270-7505

February 19, 2020

TO: The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty J.K. Cullen, Vice Chair
The Honorable Members of the Committee on Finance

Hearing Date/Time: Thursday, February 20, 2020 11:00AM
Place: Hawaii State Capitol, Conference Room 308
415 South Beretania Street

FROM: Marc I. Takamori 
Director of Transportation

SUBJECT: Offering comments on HB1930 HD1 RELATING TO TAXATION

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee,

The County of Maui, Department of Transportation (MDOT) appreciates the intent of this measure and provides the following comment regarding HB1930 HD1.

MDOT supports an increase of the rental car surcharge. The additional revenue would be able to fund projects to increase highway capacity and relieve traffic congestion, thereby improving the quality of life for residents and visitors in Hawaii.

Thank you for the opportunity to provide comments on this matter.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE SURCHARGE TAX, Tax Hike

BILL NUMBER: HB 1930, HD-1

INTRODUCED BY: House Committee on Transportation

EXECUTIVE SUMMARY: Changes the amount of the rental motor vehicle surcharge tax from \$5 to an unspecified amount. Effective 7/1/2050.

SYNOPSIS: Amends section 251-2, HRS, to increase the rental motor vehicle surcharge tax from \$5 to \$___ per day or fraction thereof.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The proposed measure would add another tax increase and would perpetuate the earmarking of rental motor vehicle and tour vehicle surcharge tax revenues. (This tax is earmarked for the highway fund.) Yes, our highways and bridges need work, and the fuel tax that now feeds the highway fund has proven to be less stable as more and more consumers start using alternative fuel vehicles, electric vehicles, and hybrids. But does that justify burdening the visitor industry with yet another tax and without going through the normal appropriation and budgeting process that also considers sweltering primary schools, underfunded state pensions, or the unique costs of intercollegiate athletics?

Rather than the continual earmarking of revenues, a direct appropriation of general funds would be preferable. Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund highways and bridges, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/18/2020



**Maui Metropolitan
Planning Organization**

200 South High Street
Wailuku, HI 96793
www.mauiμπο.org

Date: February 19, 2020

To: Sylvia Luke, Chair
Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

Re: Support for HB1930 HD1 Relating to Taxation

Hrg: February 20, 2020 at 11:00am in conference room 308

The Maui MPO Policy Board is in **support of HB1930 HD 1** to increase the amount of the rental motor vehicle surcharge tax.

In December 2019, we adopted Hele Mai Maui 2040 Long Range Transportation Plan developed from previous plans and public input to create a list of priority projects to help achieve the island's vision for safety, resilience, and affordability. Hele Mai Maui 2040 demonstrated that there is an \$800 million funding gap over the next 20 years needed for transportation improvements. A number of projects, including Honoapi'ilani Highway realignment, would be advanced with revenues from an increase to the rental motor vehicle surcharge.

With growing impacts of visitors to Maui's roadways, decision makers are tasked with difficult choices as they work to maintain quality of life for residents. Hele Mai Maui 2040 considered many funding options, and rental vehicle surcharge emerged as one of the most viable sources identified by the MPO.

Please support HB1930 HD1 to generate needed funds for transportation improvements.



Robert Muhs, Esq.

Vice President Government Affairs,
Corporate Compliance &
Business Ethics

T - 973 496-3532

Robert.muhs@avisbudget.com

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
Committee on Finance

Thursday, February 20, 2020; 11:00 a.m.
Conference Room 308; Agenda #1

RE: HB 1930 HD1 – Relating to Taxation – In Opposition

Aloha Chair Luke, Vice Chair Cullen and members of the committee:

Avis Budget appreciates this opportunity to offer testimony in opposition to HB 1930 HD1, which changes the amount of the rental motor vehicle surcharge tax from \$5 to an unspecified amount.

Only last session, the legislature increased the amount of the rental motor vehicle surcharge tax from \$3.00 to \$5.00. Hawaii rental car customers currently pay the following charges – a rental motor vehicle customer facility charge of \$4.50 per day and a rental motor vehicle surcharge tax of \$5.00 per day which is applied to the state highway fund. We are concerned with the unspecified amount in the bill, as pending the amount of the increase, the total surcharge amount before GET could be the highest in the country.

There is more competition in the market. Visitors and residents have more transportation options, including Uber and Lyft. While we believe visitors prefer to rent a car if their stay is several days or longer, if this passes, some may opt for other options.

For these reasons, we ask that the committee defer this measure. Thank you.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 19, 2020

TO: Representative Sylvia Luke
Chair, Committee on Finance
Submitted Via Capitol Website

FROM: Matthew Tsujimura

RE: **H.B. 1930, H.D.1 Relating to Taxation**
Hearing Date: Thursday, February 20, 2020 at 11:00am
Conference Room: 308

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance:

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

Enterprise **submits comments with concerns** on H.B. 1930 H.D.1, which changes the rental motor vehicle surcharge tax from \$5 to an unspecified amount.

While Enterprise appreciates the need for additional funding for road projects, we are concerned that increasing the surcharge tax for a second consecutive year will negatively impact the tourism industry. Last session, the Governor signed Act 174 into law which increased the rental motor vehicle surcharge tax from \$3 to \$5 a day. H.B. 1930 H.D.1 proposed to increase the tax to an unspecified amount. Taxes and fees currently represent over 25% of the total charges of a rental transaction. This places a significant burden on not only visitors to Hawaii but also residents and local businesses specifically in the Medical, Construction, Government, and Military industries that travel inter-island. At the current rate of \$5 a day, the taxes and fees applied to the rental car industry in Hawaii are among the highest in the nation and any increase to the fee could cause customers to seek transportation solutions outside of the Rent-A-Car industry which are not currently subject to the Rental Motor Vehicle Surcharge.

The existing \$5 surcharge tax already goes into the highway fund for the purpose of highway projects, statewide. Enterprise supports the Department of Transportation's numerous capital projects throughout the state that have improved the safety and functionality of Hawaii's highways. However, Enterprise is concerned that H.B. 1930, H.D.1 places too high a burden on the tourism industry.

If the committee is inclined to pass this measure, Enterprise requests that the committee exempt total loss, theft, and Commute rentals from the Rental Motor

Vehicle Surcharge Tax. Currently, any person who rents a car due to their own vehicle being stolen or declared a total loss are subject to the surcharge while customers who rent a car due to their vehicle being repaired due to an accident are exempt. In addition, Commute rentals, which take vehicles off of the road due to individuals commuting to work together actually reduce wear and tear on our roads and should not be subject to the tax.

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

HB-1930-HD-1

Submitted on: 2/19/2020 10:58:33 AM

Testimony for FIN on 2/20/2020 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jonathan Starr	Individual	Support	No

Comments:

Dear hard working Representatives,

Please support HB1930 HD1 to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000.

The bill also sets aside the revenue from the increased surcharge tax for capacity projects in that county. With regards to the County of Maui, prioritizes funds collected pursuant to this Act to be used for the Honoapi'ilani highway realignment project.

In December 2019, Maui MPO Policy Board adopted the Hele Mai Maui 2040 Long Range

Transportation Plan developed from previous plans and public input to create a list of priority projects to help achieve the island's vision for safety, resilience, and affordability. Hele Mai Maui 2040 demonstrated that there is an \$800 million funding gap over the next 20 years needed for transportation improvements.

Realignment of Honoapi'ilani Highway away from the shoreline is a critical project that would be

advanced with revenues from an increase to the rental motor vehicle surcharge. Sea level rise and coastal erosion make the vulnerable stretch of highway near Ukumehame a top priority in the State system. Thousands of residents and visitors rely on this lifeline in and out of West Maui.

Without funds to realign the road, more beaches and coral reef could be lost to coastal armoring. Safety concerns for wildlife, beachgoers and motorists will continue to increase unless the major highway is relocated inland, allowing for slower speeds and recreation along the shoreline. With growing impacts of visitors to Maui's roadways, decision makers are tasked with difficult choices as they work to maintain quality of life for residents. Hele Mai Maui 2040 considered many funding options, and rental vehicle surcharge emerged as one of the most viable and preferable sources identified by State and County partners involved with the MPO.

Please support HB1930 HD1 to generate needed funds for transportation improvements.

Mahalo,

Jonathan Starr

Wailuku, Maui

HB-1930-HD-1

Submitted on: 2/19/2020 1:10:25 PM

Testimony for FIN on 2/20/2020 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John NAYLOR	Individual	Support	No

Comments:

LATE

HB-1930-HD-1

Submitted on: 2/19/2020 9:48:41 PM
Testimony for FIN on 2/20/2020 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lee Chamberlain	Maui Bicycle League	Support	No

Comments:

Thank you for the opportunity to testify in support of HB1930 to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. The bill also sets aside the revenue from the increased surcharge tax for capacity projects in that county. With regards to the County of Maui, prioritizes funds collected pursuant to this Act to be used for the Honoapi'ilani highway realignment project. Effective date January 1, 2021.

I think it appropriate to increase the rental motor vehicle charge from \$5 to \$8 as the rental car companys on Maui are major contributor to Global Warming and Climate change. Please review the following facts.

Carbon Emissions- Global Warming- Greenhouse Effect?

May 1st 2019, Mauna Loa reports highest levels of Carbon Dioxide in 800,000 years.

Hawaii breaks or ties dozens of heat records since mid-May

1. The largest source of greenhouse gas *emissions* from human activities in the *United States* is from *burning fossil fuels* for electricity, heat, and transportation.
2. Transportation (Cars, trucks, commercial aircraft, and railroads,) is the Top Source of CO2 Emissions in the U.S.
 1. ConRAC .- Maui airport officials say an estimated 2,000 vehicles *rented on Maui each day,..* The fuel economy of new U.S. cars and trucks hit average 24.7 miles per gallon.
 2. A gallon of gasoline weighs 6.3 pounds. When it is combusted, the carbon combines with oxygen and the weight of the CO2 emitted is 20 pounds.
 3. Wondering how big 20 lbs of CO2 is? *20 lbs of CO2 would fill 1200 gallon jugs.* If we had an image of this it would show a single gallon of gasoline on the left, a fire in the center and a stack of *1,200 gallon jugs filled with CO2 (an invisible gas) on the right.*
 4. The combustion of one gallon of gasoline generates about 1,200 gallons of CO2! The CO2 would fill a space that is about 5-1/2' by 5-1/2' by 5-1/2' or 165 cubic feet

Realignment of Honoapiʻilani Highway away from the shoreline is a critical project that is being necessitated from Global Warming and revenues from an increase to the rental motor vehicle surcharge is a viable source to fund such an endeavor . Sea level rise and coastal erosion make the vulnerable stretch of highway near Ukumehame a top priority in the State system. Thousands of residents and visitors rely on this lifeline in and out of West Maui. Without funds to realign the road, more beaches and coral reef could be lost to coastal armoring. Safety concerns for wildlife, beachgoers and motorists will continue to increase unless the major highway is relocated inland, allowing for slower speeds and recreation along the shoreline.

Please support HB1930