

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
BONNIE KAHAKUI  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
WAYS AND MEANS  
March 17, 2020, 10:35AM

HB 1930, HD1  
RELATING TO TAXATION

Chair Dela Cruz, Vice Chair Keith-Agaran, 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.

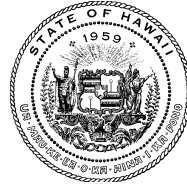
In FY 2019, there were approximately 23,682 rental days where the state paid an approximate increase of \$47,364 due to Act 174. A tax increase of \$5 to \$8 would mean the state would be paying an additional \$71,046 with a \$3 tax increase in the upcoming fiscal year.

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.

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



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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**RONA M. SUZUKI**  
DIRECTOR OF TAXATION  
**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR



To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director  
Department of Taxation

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

Date: Tuesday, March 17, 2020

Time: 10:35 A.M.

Place: Conference Room 211, 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.

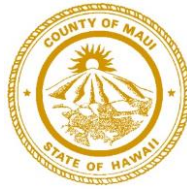
Originally, H.B. 1930 proposed to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 per day. The House Committee on Transportation amended the measure to amend the surcharge to an unspecified amount and defected the effective date to July 1, 2050.

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.

Michael P. Victorino  
Mayor

Sananda K. Baz  
Managing Director



**OFFICE OF THE MAYOR**  
COUNTY OF MAUI  
200 S. HIGH STREET  
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March 16, 2020

TESTIMONY OF MICHAEL P. VICTORINO  
MAYOR  
COUNTY OF MAUI

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
Tuesday, March 17, 2020, 10:35 a.m.  
Conference Room 211

**HB1930 HD1 RELATING TO TAXATION**

Honorable Donovan M. Dela Cruz, Chair  
Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Honorable Members of the Senate Committee on Ways and Means

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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.**

March 16, 2020  
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# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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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



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 16, 2020

TO: Senator Donovan M. Dela Cruz  
Chair, Committee on Ways and Means  
*Submitted Via Capitol Website*

FROM: Matthew Tsujimura

RE: **H.B. 1930, H.D.1 Relating to Taxation**  
**Hearing Date: Tuesday, March 17, 2020 at 10:35am**  
**Conference Room: 211**

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Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Senate Committee on Ways and Means:

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 **in opposition** to H.B. 1930 H.D.1, which changes the rental motor vehicle surcharge tax from \$5 to an unspecified amount.

In fiscal year 2018, the total revenue to the state highway fund was \$335.5 million with \$55 million coming from the rental motor vehicle surcharge tax ("RMV").<sup>1</sup> The RMV accounted for 16% of the total revenue to the state highway fund, despite the fact that rental cars comprise only 5% of the total amount of motor vehicles in Hawaii. Last session, the Governor signed Act 174, which increased the RMV from \$3 to \$5, and will bring the total contribution from the rental industry further out of proportion to the total amount of vehicles.

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.

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<sup>1</sup> <https://hidot.hawaii.gov/highways/files/2019/03/Highways-Division-FY2018-Financial-Statements.pdf> (p.19-20).

Enterprise supports providing consumers with multiple options to choose from based on their preference, but is concerned that the rental car industry is being over-taxed compared to other modes of transportation. Continuing to increase taxes and fees will push the rental car industry further from being able to compete with alternative modes of transportation such as buses, TNCs, peer-to-peer, and bikis. Taxes and fees currently represent over 25% of the total charges of a rental transaction.

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 further negatively impact the tourism industry. Hawaii's economic outlook in light of the COVID-19 has taken a downturn. With numerous events and flights already being cancelled, the tourism industry, including rental car companies, are bracing for lower than normal rates for rentals through summer 2020. The impacts of this has resulted in a large amount of cancellations as well as a noticeable decrease in reservations. A surcharge increase would not only place a heavier burden on the fewer number of visitors that are currently coming to Hawaii, but the increase would also deter potential visitors from coming in the future when the economy begins recovering.

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.



**Robert Muhs, Esq.**

Vice President Government Affairs,  
Corporate Compliance &  
Business Ethics

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[Robert.muhs@avisbudget.com](mailto:Robert.muhs@avisbudget.com)

Senator Donovan Dela Cruz, Chair  
Senator Gilbert Keith-Agaran, Vice Chair  
Committee on Ways and Means

Tuesday, March 17, 2020  
Conference Room 211; 10:35 a.m.

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

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran 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 hold this measure. Thank you.



**HB-1930-HD-1**

Submitted on: 3/16/2020 10:03:22 AM

Testimony for WAM on 3/17/2020 10:35:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mufi Hannemann	Testifying for Hawaii Lodging & Tourism Association	Support	No

Comments:

Testimony of

Mufi Hannemann

President & CEO

Hawai'i Lodging & Tourism Association

Committee on Ways & Means

House Bill 1930 HD1: Relating to Taxation

Chair Dela Cruz and members of the committee, mahalo for the opportunity to submit testimony on behalf of the Hawai'i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers —does not support HB 1930 HD1 which relates to the upcoming World War II Commemoration.

Hawai'i's tourism industry is already reeling from the economic impacts of COVID-19. We are only in the earliest stages of the onset of this pandemic, and there is no indication that it will be contained any time soon. At this time, many hotels are starting to reduce work hours and others are advertising reductions in room rates in hopes of keeping their staffs at work. While we are preparing for the worst and hoping for the best as an industry, the COVID-19 situation is likely to deteriorate before it begins to get better.

The Rental Motor Vehicle surcharge tax was already raised from \$3/day to \$5/day last legislative session. A further increase to this rate will also disproportionately affect the tourism industry in Hawai'i as it relates to our visitors as well as our residents who are looking for affordable rental cars while traveling to the outer islands. At this point in time, with all things considered, a tax rate hike on our industry would have detrimental effects, and we urge the committee to table this measure at this time.

Thank you for the opportunity to offer this testimony



Date: March 16, 2020

To: Donovan M. Dela Cruz, Chair  
Gilbert S.C. Keith-Agaran, Vice Chair  
Honorable Members of the Senate Committee on Ways and Means

Re: Support for HB1930 HD1 Relating to Taxation

Hrg: March 17, 2020 at 10:35am in conference room 211

The Maui MPO Policy Board is in **support of HB1930 HD 1, with comments** 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 would be advanced with revenues from an increase to the rental motor vehicle surcharge.

While any amount of increase would help, an additional \$3 per vehicle per day would enable the State Department of Transportation to construct Honoapi'ilani Highway realignment from Olowalu to the Pali. This critical project would improve resilience to sea level rise and maintain the strong economic contribution of West Maui as a visitor destination.

To achieve a \$3 increase, **we suggest the following change** to line 4:

“(a) There is levied and shall be assessed and collected each month a rental motor vehicle surcharge tax of [~~\$5~~] \$8 a day...”

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.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
FRIDAY, FEBRUARY 7, 2020 AT 10:00 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and  
Members of the Committee on Ways and Means;

**TESTIMONY IN SUPPORT OF HB1930 RELATING TO TAXATION**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of HB1930.

The Maui Chamber of Commerce supports the bill to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 and sets aside revenue from the increased surcharge tax for capacity projects in that county. We realize that increases to visitor expenses can make Hawaii less attractive when competing against other destinations. However, we also realize that visitors use our highways as well. Our transportation infrastructure in Maui County, like the Honoapiilani Highway and Paia Bypass, need significant upgrades and this additional tax will make these upgrades possible.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

*Pamela Tumpap*

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.