



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

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

LATE

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

February 5, 2020
1:15 p.m.
State Capitol, Room 225

S.B. 2687
RELATING TO TAXATION

Senate Committee on Transportation

The Department of Transportation (DOT) **supports** this bill which increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county which a resident population of more than 125,000, but less than 195,000; sets aside the revenue from the increased surcharge tax for capacity projects in that county.

The DOT respectfully requests that consideration be given to S.B. 2688 and companion bill HB 1930 that proposes to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 statewide without a resident population limit; nor with the limit to fund capacity projects within the respective county of additional surcharge collection.

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

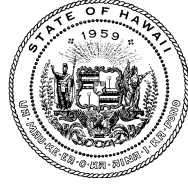
From the Airports perspective the DOT offers the following comments to this bill:

- 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

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 Lorraine R. Inouye, Chair;
The Honorable Breene Harimoto, Vice Chair;
and Members of the Senate Committee on Transportation

From: Rona M. Suzuki, Director
Department of Taxation

Re: **S.B. 2687, Relating to Taxation**

Date: Wednesday, February 5, 2020

Time: 1:15 P.M.

Place: Conference Room 225, State Capitol

The Department of Taxation (Department) provides the following comments regarding S.B. 2687.

S.B. 2687 measure increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8, but only for a county with a resident population of more than 125,000, but less than 195,000. The additional revenue is to be deposited into that county's subaccount within the state highway fund established pursuant to section 248-9(c), Hawaii Revised Statutes. The measure is effective on July 1, 2020. Currently, only Maui County would be affected by this measure.

The Department respectfully requests that the measure be made effective no earlier than January 1, 2021 to provide sufficient time to make the necessary form, instruction, and computer system changes.

Thank you for the opportunity to provide comments.



Date: February 4, 2020

To: Honorable Lorraine R. Inouye, Chair
Honorable Breene Harimoto, Vice Chair
Honorable Members of the Senate Committee on Transportation

Re: Support for SB2687 RELATING TO TAXATION

Hrg: February 5, 2020 at 1:15pm at Conference Room 225

The Maui MPO Policy Board is in **support of SB2687** 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.

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. A number of highway projects, including the 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 State and County partners involved with the MPO.

The Maui MPO Policy Board approved this testimony in support of SB2687.

Please support SB2687 to generate needed funds for transportation improvements.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE SURCHARGE TAX, Increase for Maui

BILL NUMBER: SB 2687; HB 1931

INTRODUCED BY: SB by KEITH-AGARAN, BAKER, Nishihara; HB by YAMASHITA, DECOITE, HASHIMOTO, MCKELVEY, WOODSON

EXECUTIVE SUMMARY: Increases 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. Sets aside the revenue from the increased surcharge tax for capacity projects in that county.

SYNOPSIS: Amends section 251-3, HRS, 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, and earmarks the revenue from the increased surcharge tax for the affected county's subaccount within the state highway fund.

EFFECTIVE DATE: July 1, 2020.

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. 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 1/31/2020



Robert Muhs, Esq.
Vice President Government Affairs,
Corporate Compliance &
Business Ethics
T - 973 496-3532
Robert.muhs@avisbudget.com

Senator Lorraine Inouye, Chair
Senator Breene Harimoto, Vice Chair
Committee on Transportation



Wednesday, February 5, 2020; 1:15 p.m.
Conference Room 225

RE: SB 2687 – Relating to Taxation – In Opposition

Aloha Chair Inouye, Vice Chair Harimoto and members of the committee:

Avis Budget appreciates this opportunity to offer testimony in opposition to SB 2687, which increases the amount of the rental motor vehicle surcharge tax from \$5.00 to \$8.00 for any county with a resident population of more than 125,000, but less than 195,000 and sets aside the revenue from the increased surcharge tax for capacity projects in that county.

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. The total surcharge amount before GET is among 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 there is a preference to rent a car for those visiting Maui for a few days or more, if this passes, some may opt for other options.

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



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 4, 2020

TO: Senator Lorraine R. Inouye
Chair, Committee on Transportation
Submitted Via Capitol Website

FROM: Matthew Tsujimura

RE: **S.B. 2687 Relating to Taxation**
Hearing Date: Wednesday, February 5, 2020 at 1:15pm
Conference Room: 225

Dear Chair Inouye and Members of the Committee on Transportation:

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 **opposes** S.B. 2687, which increases 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, and sets aside the revenue from the increased surcharge tax for capacity projects in that county.

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. S.B. 2687 proposes to increase the tax another \$3. This would result in the tax nearly tripling in value over the last two years. The bill would also limit the use of any funds generated from this increase to the county in which it is collected.

The existing \$5.00 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 S.B. 2687 places too high a burden on the tourism industry.

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



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON TRANSPORTATION
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
WEDNESDAY, FEBRUARY 5, 2020 AT 1:15 P.M.**

To The Honorable Lorraine R. Inouye, Chair;
The Honorable Breene Harimoto, Vice Chair; and
Members of the Committee on Transportation;

TESTIMONY IN SUPPORT OF SB2687 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 SB2687.

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.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 3, 2020

TO: The Honorable Lorraine R. Inouye, Chair
Senate Committee on Transportation

FROM: Alice L. Lee
Council Chair

SUBJECT: **HEARING OF FEBRUARY 5, 2020; TESTIMONY IN SUPPORT OF SB 2687, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to increase the rental motor vehicle surcharge tax from \$5 to \$8 per day, or any portion of a day that a rental motor vehicle is rented or leased, in counties experiencing a high number of motor vehicle rentals, and with a resident population of more than 125,000, but less than 195,000. The revenue generated will be used to fund county projects that increase highway capacity and relieve traffic congestion.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. This measure would directly impact Maui County as the resident population falls between 125,000 and 195,000. In 2019, the number of visitors surpassed 3 million. This influx of individuals, along with their rental vehicles, has had significant impacts on roadways and roadway congestion.
2. This measure would allow Maui County to increase the tax on rental vehicles and use the additional revenues to improve road quality, increase highway capacity, and relieve traffic.

For the foregoing reasons, I **support** this measure.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

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LATE

February 4, 2020

TO: Honorable Senator Lorraine R. Inouye, Chair
Committee on Transportation

FROM: Tasha Kama 
Presiding Officer Pro Tempore

SUBJECT: **Hearing of February 5, 2020; Testimony in SUPPORT of SB 2687,
Relating to Taxation**

Thank you for the opportunity to testify in **support** of this taxation measure. The purpose of this measure is to allow an increase of the surcharge on rental car fees from the existing \$5 to \$8 with the revenue dedicated to the major transportation projects in the communities where those rental cars are used.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. The funding for transportation improvements has historically lagged the demand for those improvements. Improvements in automotive technology, including the development of all-electric and hybrid vehicles, has significantly reduced the effectiveness of the motor vehicle fuel tax as a revenue source for transportation improvements.
2. Since Maui County experiences significant increases in transportation demand related to the visitor industry and much of that demand is in the form of rented vehicles, this surcharge will generate income from that demand.
3. It is important that revenue generated within a given community remains in that community to address the needs of that community. This legislation would allow the funds generated by the increased surcharge to remain in Maui County to address the transportation improvements needed for Maui County.

For the foregoing reasons, I **support** this measure.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
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Traci N. T. Fujita, Esq.

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February 4, 2020

TO: The Honorable Lorraine R. Inouye, Chair
Senate Committee on Transportation

FROM: Tamara Paltin, Councilmember for West Maui
Maui County Council

SUBJECT: **HEARING OF February 5, 2020; SUPPORT OF SB 2687,
RELATING TO TAXATION**

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The purpose of this bill increases 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.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this support in my capacity as an individual member of the Maui County Council.

I offer testimony in support of this measure for the following reasons:

1. Targeting rental cars will not only increase tax revenue, it may also act as a deterrent for individual rental vehicles and an incentive for public transportation use that may relieve roadway congestion.
2. The increased surcharge can assist in repairing and maintaining Honoapiilani Highway, the only main artery in to and out of West Maui, which has been unduly and increasingly strained due to visitor rental cars as well as flooding and inundation due to sea level rise and unpredictable weather.
3. With increased road capacity and lessened roadway congestion, the safety of those roads and thereby our residents and visitors is increased.

Thank you, once again, for the opportunity to testify and for your consideration.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

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TO: Chair Inouye, Vice Chair Harimoto and Members of
the Committee

FROM: Yuki Lei K. Sugimura
Councilmember, Upcountry Maui

DATE: February 5, 2020

SUBJECT: **RE: SB2887 RELATING TO TAXATION**

I am writing in support of SB 2687, increasing rental motor vehicle surcharges to be used for county highway projects.

Additional sources of monies to maintain and build roads is needed as our communities expand. This is a reasonable means to achieve the needed finances.

I urge your strong support toward the passage of this measure. Thank you for this opportunity to provide my opinion. As the Chair of the Maui County Council, Water, Infrastructure and Transportaton Committee and the Maui Metorpolitan Planning Organization, I see a benefit to this surcharge, **I strongly support SB 2687.**

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
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LATE

February 4, 2020

TO: Honorable Lorraine R. Inouye, Chair
Senate Committee on Transportation

FROM: Michael J. Molina
Councilmember

A handwritten signature in black ink, appearing to read "mjm", written over the printed name of Michael J. Molina.

SUBJECT: **HEARING OF FEBRUARY 5, 2020; TESTIMONY IN SUPPORT OF SB
2687, RELATING TO TAXATION**

Thank you for the opportunity to testify in SUPPORT this important measure. The purpose of this measure is to increase the rental motor vehicle surcharge tax from \$5 to \$8 per day, or any portion of a day that a rental motor vehicle is rented or leased, in counties experiencing a high number of motor vehicle rentals, and with a resident population of more than 125,000 but less than 195,000. The revenue generated will be used to fund county projects that increase highway capacity and relieve traffic congestion.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. Road congestion on Maui, especially in high tourist locations, such as South, West and North Maui have reached serious levels causing extreme traffic delays and contributing to increased stress levels of motorist.
2. The State Department of Transportation is reviewing various by-pass or relief roads to assist with reducing traffic congestion in Maui County. The additional funding proposed in this legislation will assist in the counties ability to provide alternative routes to address traffic issues.
3. As the Maui County Council's Makawao, Paia, Haiku representative, the Paia By-Pass is a number one priority for my North Shore constituents and a number four priority for the State DOT.

For the foregoing reasons, I support this measure.

CM:MHP:outgoing:leg20_SB2687_rental_subsidy:grs