



TESTIMONY BY:

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DIRECTOR

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

February 17, 2021
2:00 P.M.
State Capitol, Teleconference

H.B. 485, H.D. 1
RELATING TO TAXATION

House Committee on Consumer Protection & Commerce

The Department of Transportation (DOT) **supports** this bill which increases the amount of the rental motor vehicle surcharge tax from \$5 to 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 the 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



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director
Department of Taxation

Date: February 17, 2021
Time: 2:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 485, H.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments regarding H.B. 485, H.D. 1, for your consideration.

H.B. 485 raises the rental motor vehicle surcharge tax from \$5 per day to an unspecified amount per day. H.D. 1 has a defective effective date of July 1, 2050.

The Department respectfully requests that the increase be made effective no earlier than January 1, 2022. This effective date will provide the Department the necessary time to update its forms, instructions, and computer system, and notes that it can administer this bill as drafted.

Thank you for the opportunity to provide comments.

Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director



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February 16, 2021

TESTIMONY OF MICHAEL P. VICTORINO
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Wednesday, February 17, 2020, 2:00 p.m.
Conference Room 329 via Videoconference

HB485 HD1 RELATING TO TAXATION

Honorable Aaron Ling Johanson, Chair

Honorable Lisa Kitagawa, Vice Chair

Honorable Members of the House Committee on Consumer Protection & Commerce

Thank you for this opportunity to submit comments on **HB485 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 led 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 to \$8.00 per day.

Thank you for considering these comments on HB485 HD1.

February 16, 2021
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TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE, Tax Hike

BILL NUMBER: HB 485, HD1

INTRODUCED BY: House Committee on Transportation

EXECUTIVE SUMMARY: Increases the amount of the rental motor vehicle surcharge tax from \$5 to \$___.

SYNOPSIS: Amends section 251-3, HRS, to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$___.

EFFECTIVE DATE: 7/1/2050.

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. 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 increase and without going through the normal appropriation and budgeting process that also considers sweltering primary schools, underfunded state pensions, or the unique costs of COVID-19 devastation?

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 2/14/2021



Robert Muhs, Esq.
Vice President Government Affairs
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Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Consumer Protection & Commerce

Wednesday, February 17, 2021; 2:00 PM
Hawaii State Capitol; Via Videoconference

RE: HB 485 HD1 Relating to Taxation - IN OPPOSITION

Aloha Chair Johanson, Vice Chair Kitagawa and Members of the Committee:

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Avis Budget Group appreciates the opportunity to offer testimony in opposition to HB 485 HD1, which increases the amount of the rental motor vehicle surcharge tax from \$5.00 to an unspecified amount.

In 2019, the Legislature increased the amount of the rental motor vehicle surcharge tax from \$3.00 to \$5.00. In addition to this tax, Hawaii rental car customers pay a rental motor vehicle customer facility charge of \$4.50 per day. The total surcharge amount before GET is among the highest in the country. We believe the industry contributes more than its fair share to the State highway fund with the current surcharge tax. An increase in the surcharge tax could lead to an overall decline of transaction days, adding to our financial hardship.

Avis Budget Group's Hawaii operations suffered a significant revenue loss in 2020 due to the pandemic and is still struggling. We request that the industry be allowed to fully recover before additional fees and increases be considered.

We ask that the committee defer this measure. Thank you.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 16, 2021

TO: Representative Aaron Johanson
Chair, Committee on Consumer Protection and Commerce

FROM: Mihoko Ito

RE: **H.B. 485 H.D.1, Relating to Taxation**
Hearing Date: Wednesday, February 17, 2021 at 2:00 p.m.
Conference Room: 329, Via Videoconference

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection and Commerce:

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

Enterprise **opposes** H.B. 485 H.D.1, which increases the rental motor vehicle surcharge tax from \$5 to an unspecified amount.

While Enterprise appreciates the State's need for additional funding, we are very concerned that increasing the surcharge tax will negatively impact an already hurting industry. At the peak of the COVID 19 pandemic, the rental car industry was down 95% and is only now starting to slowly make a recovery that is projected to take several years.

Just two years ago, the Governor signed Act 174 into law which increased the rental motor vehicle surcharge tax from \$3 to \$5 a day. H.B. 485 H.D.1 now proposes to increase the tax another \$3, which would result in the tax nearly tripling over the last three years.

The tax burden on rental cars to support the highway fund is already quite disproportionate to what other vehicles pay. While rental cars only comprise about 5% of the total vehicles in the State, the \$5 per day surcharge represents approximately 26% of the total funds in the highway special fund. And right now, that reliance on rental car revenue is hurting the highway fund because of the significant decrease in revenues due to the pandemic.

Enterprise supports the Department of Transportation's efforts to improve the safety and functionality of Hawaii's highways. However, Enterprise is concerned that H.B. 485 H.D.1 places too high a burden on the rental car industry.

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