

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

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

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: Isaac W. Choy, Director
Department of Taxation

Date: February 17, 2021
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 646, S.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments regarding S.B. 646, S.D. 1, for your consideration.

S.B. 646 amends section 251-2, Hawaii Revised Statutes, to increase the Rental Motor Vehicle Surcharge Tax from \$5 per day to \$8 per day for vehicles rented in Maui county. S.D. 1 has a defective effective date of January 1, 2050.

The Department notes that it can administer this measure as written, but requests an effective date of no earlier than January 1, 2022 to allow time to make amendments to its forms, instructions, and computer system.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE, Increase on Maui

BILL NUMBER: SB 646, SD-1

INTRODUCED BY: Senate Committee on Transportation

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: 1/1/2050.

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 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 2/14/2021



Robert Muhs, Esq.
Vice President Government Affairs
T - 973 496-3532
Robert.muhs@avisbudget.com

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

Wednesday, February 17, 2021; 10:00 AM
Hawaii State Capitol; Via Videoconference

RE: SB 646 SD1 Relating to Taxation - IN OPPOSITION

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Thank you for giving us this opportunity to offer testimony in opposition to SB 646 SD1, which 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.

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.

Avis Budget Group's Hawaii operations suffered a significant revenue loss in 2020 due to the pandemic and is still struggling. Our partnerships with local businesses traveling between the islands has helped us sustain. This bill would adversely impact those businesses, in addition to visitors. Also, 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.

We believe this \$3 increase on Maui customers could lead to an overall decline of transaction days and will add to our financial hardship.

For these reasons, we urge the Committee to hold this measure.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 15, 2021

TO: Senator Donovan Dela Cruz
Chair, Committee on Ways and Means

FROM: Mihoko Ito

RE: **S.B. 646 SD1, Relating to Taxation**
Hearing Date: Wednesday, February 17, 2021 at 10:00 a.m.
Conference Room: 211

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, and Enterprise Commute (Van Pool).

Enterprise **opposes** S.B. 646 SD1, 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 capacity projects, 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. S.B. 646 SD1 now proposes to increase the tax another \$3 for Maui County. This 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 numerous capital projects throughout the State that have improved the safety and functionality of Hawaii's highways. However, Enterprise is concerned that S.B. 646 SD1 places too high a burden on our 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 WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
WEDNESDAY, FEBRUARY 17, 2021 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;

SUPPORT SB646 SD1 RELATING TO TAXATION

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing share our support of SB646 SD1.

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 and this is particularly difficult in a time when we need economic recovery on an island very dependent on the visitor industry. However, we also realize that visitors use our highways as well. Our transportation infrastructure in Maui County, like the Honoapiilani Highway, Hana 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 we ask that this bill be passed.

Sincerely,

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.