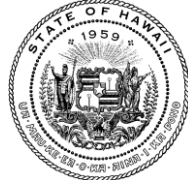


DAVID Y. IGE
GOVERNOR

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

The Honorable Glenn Wakai, Chair;
The Honorable Bennette E. Misalucha, Vice Chair;
and Members of the Senate Committee on Energy, Economic Development, and
Tourism

From: Isaac W. Choy, Director
Department of Taxation

Date: February 12, 2021

Time: 3:30 P.M.

Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 774, Relating to Transportation

The Department of Taxation (Department) offers the following comments on S.B. 774 for your consideration.

S.B. 774 creates rental motor vehicle pollution assessment under chapter 251, Hawaii Revised Statutes (HRS), which is an additional surcharge added to the rental motor vehicle tax on leased vehicles that are not zero-emission vehicles. The amount of the assessment is \$3 per day on January 1, 2022 to December 31, 2024, \$5 per day January 1, 2025 to December 31, 2029, and \$10 per day January 1, 2030 and thereafter.

S.B. 774 also creates a refundable income tax credit for rental motor vehicle lessors with fleets of fifty vehicles or more equal to the amount the taxpayer spent to purchase electric charging infrastructure and electric rental motor vehicles, capped at an amount no greater than the amount of rental motor vehicle pollution assessments the taxpayer paid in the previous year.

S.B. 774 is effective July 1, 2021, and applies to taxable years after December 31, 2020. However, the new motor vehicle pollution assessment is not imposed until January 1, 2022. Because the new tax credit is capped by amounts spent on motor vehicle pollution assessments, no taxpayer would be able to claim the income tax credit until its taxable year encompassed a date of January 1, 2022 or later. For a calendar year taxpayer, this would mean they could not claim this tax credit until they file their 2022 returns in 2023.

The Department respectfully requests that this new tax credit contain a recapture provision which requires the taxpayer to keep and place into service its purchased charging infrastructure and zero-emission vehicles for a period the Committee deems appropriate for the goals of this legislation. The Department suggests that the depreciable life of the property may be an appropriate length of time.

Finally, the Department notes that the new assessment under chapter 251, HRS, makes reference to the term "zero-emissions vehicle" being defined in section 251-1, HRS, but there is no such definition in that section nor in this bill.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE, INCOME, Tax credit for charging infrastructure and rental vehicle pollution assessment

BILL NUMBER: SB 774

INTRODUCED BY: LEE

EXECUTIVE SUMMARY: Provides a tax credit for the installation of electric vehicle charging infrastructure or purchase of electric rental motor vehicle. Levies a rental motor vehicle pollution assessment on each non zero emissions rental motor vehicle rental, excluding vehicles rented out as car sharing vehicles.

SYNOPSIS: Adds a new section to chapter 251, HRS, imposing a rental motor vehicle pollution assessment at an escalating rate: \$3 per day that a rental motor vehicle is leased beginning on 1/1/2022, increasing to \$5 per day beginning on 1/1/2025, and increasing to \$10 per day beginning on 1/1/2030. Zero-emissions vehicles and car-sharing vehicles would be exempt.

Adds a new section to chapter 235, HRS, providing an eligible taxpayer with a refundable income tax credit for 100% of expenses to purchase electric charging infrastructure or electric rental motor vehicles, but only up to the amount of rental motor vehicle pollution surcharge that the taxpayer spent in the previous tax year.

Provides that all claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credits may be claimed.

Defines "eligible taxpayers" as, with respect to any taxable year, any rental motor vehicle lessors operating in the State that operate a total of more than fifty light duty passenger vehicles statewide as rental motor vehicles.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: This bill proposes what is essentially a tax increase on the rental of motor vehicles.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Finally, we observe that the State's policy toward electric and other zero-emission vehicles has not been consistent.

Since 2012, several benefits came with the special plate that accompanied an electric vehicle, including the ability to park at government parking lots (including at the airport!) and street spaces for free, and the ability to jump into carpool lanes even though there is just one person in the car. Sadly, good things don't last forever. The free parking benefit and the carpool lane benefit expired on June 30, 2020, according to the terms of the 2012 law that spawned them (Act 168, SLH 2012).

From January 1, 2020, thanks to Act 280, SLH 2019, electric vehicle owners now can expect a \$50 surcharge on their annual vehicle registration fees. More is yet to come; the Department of Transportation has been pursuing the idea of funding improvements to highways and bridges with a Road Usage Charge, now called HiRUC, that will charge citizens per mile driven instead of (well, we think it's instead of, but our lawmakers may have other ideas) charging for fuel purchases through our current fuel tax. Owners of hybrids, electric vehicles, and alternative fuel vehicles can expect to pay quite a bit more under HiRUC than they are now paying under the fuel tax system.

The State and the public could benefit by having leadership and consistent policy relating to electric vehicles and other zero emission vehicles.

Digested 2/8/2021

SB-774

Submitted on: 2/10/2021 8:50:55 AM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|------------------------------------|---------------------------|---------------------------|
| Justin Carvalho | Testifying for Mission Zero Hawaii | Support | No |

Comments:

To the Leaders of Hawaii,

On behalf of Mission Zero Hawaii, Hawaii's largest electric car rental business based out of Kauai, I write in strong support of SB774.

Justin Carvalho



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

Senator Chris Lee, Chair
Senator Lorraine R. Inouye, Vice Chair
Committee on Transportation

Senator Glenn Wakai, Chair
Senator Bennette E. Misalucha, Vice Chair
Committee on Energy, Economic Development, and Tourism

Friday, February 12, 2021, 3:30 p.m.
Via Videoconference

RE: SB 774 – Relating to Transportation – IN OPPOSITION

Aloha Chairs Lee and Wakai, Vice Chairs Inouye and Misalucha and members of the committees:

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Avis Budget Group appreciates this opportunity to offer testimony in opposition to SB 774, which provides a tax credit for the installation of electric vehicle charging infrastructure or purchase of electric rental motor vehicle, and levies a rental motor vehicle pollution assessment on each non-zero-emissions rental motor vehicle rental.

While we support the tax credit as an incentive for adding EV's to our fleet, this is not the time to be assessing fees and disincentives such as a rental motor vehicle pollution assessment. The industry has suffered significant revenue losses and is still struggling from the economic impacts of COVID-19.

Avis Budget Group always looks at the possibility of EVs but without a keen consumer awareness about how to use them and how long they can drive between charges, there is little to no demand.

Additionally, if not enough zero-emission vehicles are manufactured, the industry should not be penalized with the increasing assessments set forth in the bill.

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

SB-774

Submitted on: 2/10/2021 3:20:19 PM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|------------------------|--------------------|--------------------|
| Sonja Kass | Testifying for KauaiEV | Support | No |

Comments:

Aloha Senators,

On behalf of KauaiEV, a grassroots organization with over 100 members on Kauai, I write in strong support of HB774. Our members are electric vehicle drivers, we believe that EVs are the personal transportation of the future. Electric vehicles significantly reduce greenhouse gas emissions as well as our dependence on imported fossil fuels.

Tax credits toward purchase of electric rental cars and EV charging infrastructure will help to reach Hawaii's climate goals . In order to combat climate change and sea level rise we need to move away from burning fossil fuels as soon as possible. Numerous studies have found that tax credits really work.

Please support **SB774**

Mahalo

Sonja Kass, president KauaiEV

SB-774

Submitted on: 2/10/2021 3:29:47 PM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--------------------------------------|---------------------------|---------------------------|
| Sonja Kass | Testifying for Hawaii EV Association | Support | No |

Comments:

Hawaii EV Association is in strong support of SB774



Email: communications@ulupono.com

SENATE COMMITTEES ON TRANSPORTATION AND ENERGY, ECONOMIC DEVELOPMENT,
& TOURISM

Friday, February 12, 2021 — 3:30 p.m.

Ulupono Initiative supports the intent of SB 774, Relating to Transportation.

Dear Chair Lee, Chair Wakai, and Members of the Committees:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports the intent of SB 774, which provides a tax credit to rental fleet operators for the installation of electric vehicle charging infrastructure or purchase of electric motor vehicles. This bill also levies a rental motor vehicle pollution assessment on each non-zero-emissions rental, excluding vehicles rented out as car-sharing vehicles.

Ulupono supports Hawai'i's reduction of fossil fuel use as we strive to meet the State's 100% renewable goal by 2045. This measure seeks to significantly impact the renewable energy goal by promoting zero-emission vehicles in rental motor vehicle fleets.

Rather than a mandate or prohibition on fossil fuel powered vehicles by the State, we favor a structure that applies an increasing surcharge or fee to polluting vehicles, as outlined in this proposed bill. However, we would prefer to see such a fee eventually ensure that renting a fossil fuel vehicle is cost-prohibitive. We also recommend that a portion of the levied pollution assessments identified in this bill go to fund retrofitting the airport rental facilities with adequate power to support the charging/fueling infrastructure that rental fleets will require to convert to zero-emission vehicles.

Lastly, while we fully support transitioning all vehicles to zero-emission, we also believe tax credits should maintain clear expirations. As such, we would support terminating the tax credit over time.

Investing in a Sustainable Hawai'i

Hawai'i Should Be Doing More

Overall, Ulupono finds that electric vehicles (EVs) are an important avenue to address Hawai'i's pressing climate issues and align with the State's energy and environmental goals. EVs currently offer an effective option to advance clean, renewable ground transportation and provide immediate benefits to Hawai'i.

Though EVs currently only represent about one percent of all passenger vehicles in the state, EV sales grew by more than 40% in 2020. This bill will help accelerate the changeover to zero-emission vehicles by expanding the used-vehicle market for zero-emission vehicles, which is critical to broadening the access and benefits of this transition. Furthermore, this bill begins to align the State with stronger prohibitions and commitments made around the globe that advance zero-emission vehicles.

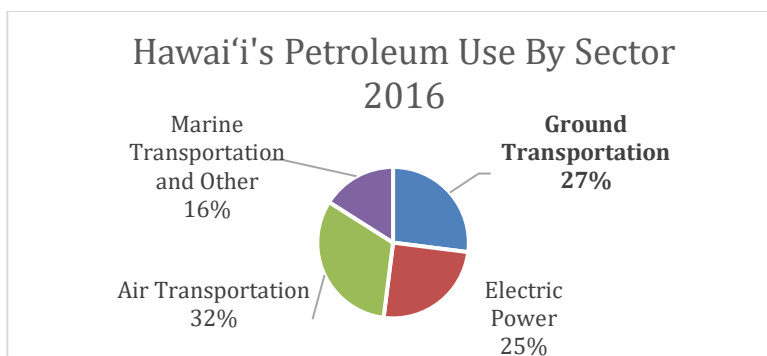
In fact, the Governor of California recently signed an executive order to eliminate the sale of new gas cars and trucks by 2035. California joins a multitude of countries and cities across Europe, as well as China and British Columbia, who have taken similar measures to eliminate the sale of new fossil fuel vehicles.

Most recently, Nissan committed to having every new vehicle in major markets (including the US) be electrified by the early 2030s. Last week, General Motors (GM) committed to stop making gasoline and diesel cars, vans and SUVs by 2035.

The future of transportation does not depend on fossil fuels and the State of Hawai'i should continue to lead by example and further show the world that Hawai'i is serious about the sustainability and resiliency of our community by encouraging EVs as this bill proposes.

EVs Provide Immediate Energy and Environmental Impact

Ground transportation alone utilizes more than a quarter of the state's imported petroleum. Electrifying ground transportation will reduce our demand for imported fossil fuels, keeping millions of dollars in the state and cutting harmful pollution.



Source: Hawai'i State Energy Office – Hawai'i Energy Facts & Figures



Converting from petroleum-based vehicles to EVs reduces greenhouse gas (GHG) emissions immediately, helping combat climate change and its impacts on our islands. EVs produce zero-emissions at the tailpipe, and even when full lifecycle emissions (from manufacturing through disposal) are considered, EV emissions are approximately 50 percent lower than internal combustion engine (ICE) vehicles.

EVs can also support integrating more renewables on the electric grid with smart charging technology and rate structures. Thus, proliferating EVs throughout Hawai'i can help accelerate progress towards the State's 100 percent RPS goal, as well as contribute to the State's Paris Agreement commitments and carbon neutral goal.

This bill is an important measure for the State to push for the decarbonization of our economy while continuing to show the world that Hawai'i is a clean energy leader.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 11, 2021

The Honorable Senator Chris Lee
The Honorable Senator Lorraine Inouye
Senate Committee on Transportation

The Honorable Senator Glenn Wakai
The Honorable Senator Bennette Misalucha
Senate Committee on Energy, Economic Development
and Tourism

RE: **SB 774- Relating to Transportation**
Hearing date: Friday, February 12, 2021 at 3:30PM

Aloha Chair Lee and Chair Wakai, and members of the committees,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to **SUPPORT** SB 774. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii is supportive of the Legislature's efforts to promote sustainability in our State.

SB 774 seeks to provide an income tax credit for the installation of electric vehicle charging infrastructure or purchase of electrical rental motor vehicle. The measure further levies a rental motor vehicle pollution assessment of \$3 for each day, or portion of a day that a non-zero-emissions rental motor vehicle is rented or leased. Additionally, SB 774 gradually increases the rental motor vehicle pollution assessment to \$5 per day in 2025, and \$10 per day in 2030. The measure specifically excludes vehicles rented out as car sharing vehicles.

NAIOP Hawaii supports SB 774 as it provides an incentive encouraging the use of electric vehicles within our State. Establishing a tax credit as an incentive to purchase and utilize additional electric vehicles is a more effective policy for our environment than imposing any required mandates. NAIOP Hawaii appreciates the Legislature's diligent approach in exploring these incentives for our future.

Mahalo for your consideration,

Catherine Camp, President
NAIOP Hawaii



**SENATE COMMITTEE ON TRANSPORTATION
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**
February 12, 2021, 3:30 P.M.
Video Conference

TESTIMONY IN SUPPORT OF SB 774

Aloha Chairs Lee and Wakai, Vice Chairs Inouye and Misalucha, and committee members:

Blue Planet Foundation **supports SB 774**, which assesses a daily “pollution fee” on rental vehicles which can be credited back to support the purchase of zero-emission vehicles (ZEVs) and electric vehicle (EV) charging infrastructure. This proposed policy helps to align the rental car industry with one of the four key pillars of the Hawaii Tourism Authority’s new strategic plan: Respect for Our Natural & Cultural Resources. What’s more, **the rental car industry operates the state’s largest vehicle fleets**, and the frequent turnover of the vehicles (estimated to be about 13 months) means far more ZEVs entering the secondary market at a discounted cost, allowing many more Hawai’i residents to experience the benefits of ZEVs and help Hawai’i reach its clean energy goals faster.

Hawai’i’s visitor industry must embrace a clean energy future

As Hawai’i seeks to recover from the coronavirus pandemic, we are offered an unparalleled opportunity to build back better and press the reset button on tourism. Senate Bill 774 is an important measure to align the visitor industry with Hawai’i’s clean energy future.

Blue Planet Foundation is a local, mission-driven nonprofit committed to clearing the path for 100% clean energy in Hawai’i and believes that zero-emissions vehicles, like battery electric vehicles (EVs) and hydrogen fuel cell vehicles, will play a pivotal role in helping to eliminate fossil fuel use for both the ground transportation and the electricity sectors. ZEVs are better for the environment, can lower household transportation costs, and can help Hawai’i’s electric utilities achieve 100% renewable electricity while lowering household electric bills.

The volume and model types of battery electric vehicles coming onto the market are expected to dramatically increase in the next three to five years due to falling battery costs and EV-incentivizing policies from places around the world. Last fall, California Governor Gavin Newsom signed an executive order directing the state to require all new cars and passenger trucks sold in California to be zero-emission vehicles by 2035, joined the ranks of several countries who

have also recognized that fossil fuel-powered ground transportation needs to end. France plans to phase out gas-powered car sales by 2040. Britain announced in November that it will ban the sale of new gasoline and diesel cars by 2030. India, Netherlands, Israel, and Denmark have set a similar goal for 2030. And Norway plans to have all new cars, buses, and light commercial vehicles be zero emission vehicles by 2025.

Auto manufacturers are similarly making bold commitments to phase out fossil-fuel-powered vehicles. General Motors—one of the world’s largest automakers—announced in January 2021 that it would phase out petroleum-powered cars and trucks and sell only vehicles that have zero tailpipe emissions by 2035. As a mere sampling of other examples, Ford is launching all-electric versions of its popular Mustang (launching 2021) and F-150 (expected in 2022), and Volkswagen is targeting electric options for all of its vehicle models by 2030.

The longer driving ranges, lower costs, and larger selection of models will make it possible for many of Hawai‘i’s residents and visitors to lower their carbon footprints and take advantage of the economic benefits that EVs offer. However, there are two challenges to efficient EV adoption that SB 774 attempts to address: (1) additional funding is needed to accelerate Hawai‘i’s clean energy transition and build out an accessible, convenient, and equitable; and (2) only a small percentage of the state’s population has the financial resources to purchase new cars—i.e. it could take a number of years for the influx of quality, affordable EVs to trickle down to the secondary market and become available to most people in the state.

Expanding resources for Hawai‘i’s clean energy transition

The income tax credit provided in SB 774 (which essentially lets a rental car company recoup the pollution fees paid) will help accelerate Hawai‘i’s transition to a decarbonized transportation future by fostering the development of Hawai‘i’s EV charging network.

The International Energy Agency has found that “the availability of chargers emerged as one of the key factors for contributing to the market penetration of EVs.”¹ The development of public charging facilities necessary to enable a high penetration of battery EVs in the rental market would be more than adequate to meet the charging needs of the state’s population simultaneously. Those public chargers are integral to EV adoption, as they serve as primary charging for those living in multi-family properties and as backup charging for those who are able to charge their vehicles at home. Moreover, the optimal time to charge an EV is during the day when renewable energy is abundant. Yet, there is a notable lack of charging options at workplaces and at publicly accessible locations. Senate Bill 774 can help ensure that the visitor industry is also committed to building out this charging network for the public good.

¹ *Global EV Outlook 2017*, at 29, <https://www.iea.org/reports/global-ev-outlook-2017>.

Stimulating a secondary market of affordable EVs

While there are no publicly available figures on the total number of rental cars on Hawai'i's roadways, some have estimated the number to be around 40,000, which would make rental cars by far the largest vehicle fleets in the state.

Additionally, due to proprietary nature of the rental car business, there is no publicly available data on the average turnover rate for rental car fleets in Hawai'i; some national estimates put the average turnover time at around 13 months.²

By any estimates, however, incorporating more ZEVs into rental car fleets would translate into more ZEVs entering the secondary vehicle market each year. This would mean that many more of Hawai'i's residents could afford to buy a ZEV, reducing their carbon footprints and lowering their transportation costs.

Rental cars represent the largest vehicle fleets in Hawai'i. Policies that expedite the scaling of ZEVs into rental car fleets will not only decrease the carbon footprint of the visitor industry, but due to the high frequency of fleet turnover, could translate into a huge influx of ZEVs onto the secondary market, making them affordable for far more Hawai'i residents.

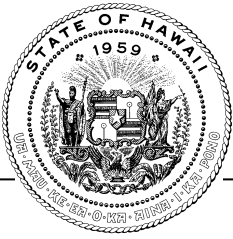
Conclusion

Zero-emission vehicles are better for the environment and the economy, and can help Hawai'i's electric utilities achieve 100% renewable electricity. The rental car industry operates the state's largest vehicle fleets and the frequent turnover of the vehicles would translate into far more ZEVs entering the secondary market, allowing many more Hawai'i residents to participate in the benefits of ZEVs.

This bill can help to dramatically expedite the uptake of ZEVs in Hawai'i and help to develop a public charging network necessary to accommodate those vehicles.

Thank you for the opportunity to provide testimony.

² The Motley Fool, *Surprising Facts about the Rental Car Industry*, <https://www.fool.com/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx>.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
**SENATE COMMITTEE ON TRANSPORTATION AND
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

Friday, February 12, 2021
3:30 P.M.
Senate conference room 224

Comments in consideration of
SB 774
RELATING TO TRANSPORTATION.

Chairs Lee and Wakai, Vice Chairs Inouye, and Members of the Committees on transportation and energy, economic development, and tourism, the Hawaii State Energy Office (HSEO) supports SB 774, which provides a tax credit for the installation of electric vehicle charging infrastructure or the purchase of electric rental motor vehicles, and levies a rental motor vehicle pollution assessment on each non-zero emissions motor vehicle rental, excluding vehicles rented out as car sharing vehicles.

SB 774 aligns with the State's efforts to expand strategies and mechanisms to reduce greenhouse gas emissions through the reduction of energy use, adoption of renewable energy, and control of air pollution among all agencies, departments, industries, and sectors, including transportation.

On 27 January 2021, U.S. President Joseph Biden signed an executive order (EO) to "Tackle the Climate Crisis at Home and Abroad" and noted that the "climate crisis [was] at the center of the United States Foreign Policy and National Security" policy. The EO also identifies the development of a climate finance plan that includes the objective of "promoting the flow of capital toward climate-aligned investments and

away from high-carbon investments.”¹ The concept of a rental motor vehicle pollution assessment would be supportive of this objective as it would send a price signal to motor vehicle lessors to adopt less carbon intensive technologies, addressing the climate crisis while also supporting HSEO’s mission to decarbonize Hawaii’s economy.

Emissions from ground transportation account for the largest share of energy sector emissions in the state. As noted in the 2016 Greenhouse Gas Inventory, transportation emissions in Hawaii were at 8.69 million metric tons of carbon dioxide equivalents, accounting for 51 percent of total energy sector emissions. Ground transportation accounted for 47 percent of the transportation emissions. For Hawaii to meet its statutory target “to sequester more greenhouse gases than emitted as soon as practicable, but no later than 2045,” programs that support the adoption of cleaner transportation options are necessary and important.

The adoption and widespread deployment of electric vehicles is essential to reduce Hawaii’s dependence on fossil fuels. Rental car efficiency is one of the recommended petroleum reduction tactics identified on page 9 of the Hawaii Clean Energy Initiative Transportation Energy Analysis, prepared for HSEO by the International Council on Clean Transportation. Incorporating electric vehicles into vehicle rental fleets will markedly increase exposure to electric vehicles, which can boost acceptance and adoption of electric vehicles by familiarizing residents and travelers with the technology and operating characteristics of the vehicles.

While HSEO fully supports the intent of the bill, we have concerns regarding the sufficient and timely installation and operation of electric vehicle charging equipment at the facilities used by lessors of rental motor vehicles in the State to support zero-emission vehicles. In 2020, it was reported that Kahului airport’s rental car facilities managed an inventory of more than 20,000 vehicles. The recently completed Kahului Airport Consolidated Rent-A-Car (CONRAC) facility has the following parking stalls:

¹ Source: <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/>

1,817 for ready-return vehicles, 1,926 for staging/storage, and 693 for airport employee parking, along with quick-turn-around areas accommodating 12 car wash bays, 11 mechanic stations, and 72 fuel positions. An understanding of the cost and logistics required to upgrade the newly constructed facility to allow for the rapid charging of zero-emission vehicles is critically important to ensuring the success of transitioning to clean zero-emissions rental motor vehicle fleets. A new CONRAC facility is also under construction at the Daniel K. Inouye International Airport in Honolulu. These facilities, along with all rental facilities, should be assessed to fully understand their ability to install and operate the necessary charging infrastructure to support zero-emission vehicles. It is likely that significant electric system upgrades would be required to support level 3 DC fast charging infrastructure in many of the facility locations. For any State-owned facilities, the assessment should estimate the upgrades and associated cost, if any, that would be required of the State to enable sufficient electric vehicle charging infrastructure in the facilities. This assessment could be compared with an estimate of the number of annual rental days by facility to determine if the value of the proposed tax credits will be sufficient to fund the necessary infrastructure upgrades.

As the State develops plans to achieve a decarbonized ground transportation sector, it is important to ensure the necessary infrastructure is in place to enable all market participants to address the effects of climate change to support the State's economy, environment, health, and way of life. Finally, HSEO recommends consultation with the Attorney General's Office to ensure the requirements of the bill comply with the Clean Air Act.

Thank you for the opportunity to testify.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 10, 2021

TO: Senator Chris Lee
Chair, Committee on Transportation

Senator Glenn Wakai
Chair, Committee on Energy, Economic Development & Tourism

FROM: Mihoko Ito

RE: **S.B. 774, Relating to Transportation**
Hearing Date: Friday, February 12, 2021 at 3:00 p.m.

Dear Chair Lee, Chair Wakai, and members of the Joint Committees:

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. 774, which provides a tax credit for the installation of electric vehicle charging infrastructure or purchase of electric rental motor vehicles, and levies a rental motor vehicle pollution assessment on each non-zero-emissions rental motor vehicle rental, excluding vehicles rented out as car sharing vehicles.

Enterprise has been a leader in sustainability in its industry and has invested in sustainable transportation by incorporating fuel efficient vehicles in its fleets, and launching car sharing and van pool services in Hawaii. When electric vehicles first came onto the market, Enterprise launched a new program in Hawaii to incorporate electric vehicles into its fleet. Despite the significant investment in EVs, consumer-driven demand for these vehicles was unsuccessful. Enterprise also currently has a current partnership with Tesla in Hawaii which supports the local community.

While Enterprise appreciates the proposal for a tax credit for the installation of EV charging infrastructure or purchase of electric motor vehicles, as a practical matter, the rental car industry is driven by market demand. Rental car companies can offer a selection of vehicles but cannot force customers to rent one type of vehicle. The primary factor that would drive Enterprise's decision to purchase additional EVs or implement charging infrastructure would be if there was demand for the vehicles.

Currently, we believe this demand is uncertain given Hawaii's infrastructure challenges. Given that 85% of renters are tourists, it is unclear where tourists would charge these electric vehicles. Charging stations need to be conveniently available in numerous locations across the islands – airport facilities, hotels, attractions, restaurants, shopping malls and other tourist destinations. These locations may not

have the capacity or financing available to support the necessary charging infrastructure required to sustain these vehicles. This lack of infrastructure will result in a negative vacation experience for tourists searching for charging stations and experiencing significant waits as their vehicles fully charge.

In addition, the new Consolidated Rental Car Facilities under construction on Oahu and recently completed on Maui were not designed to accommodate widespread EV charging conduits. At most, the new facility is only able to support a few charging stations per rental car company, and not entire fleets of rentals at a significant cost to the state. Until these issues are resolved, Enterprise feels that a proposed tax credit will not accomplish the stated goal of transitioning rental car fleets.

Enterprise also strongly opposes the significant new fees this bill proposes to add as a rental motor vehicle pollution assessment. This bill proposes to add \$3/day through 2024, \$5/day in 2025 and \$10/day after 2030 for each rental car this is not a zero-emissions vehicle. As it is, the state already collects from rental car customers substantial sums of money to be used for state purposes. 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. 774 now proposes to double that amount in a new pollution assessment fee.

The tax burden on rental cars is already 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. We do not feel that it is justified to solicit additional contributions from renters, and feel that it will alienate customers.

The rental car industry has sustained and continues to sustain significant losses due to the global pandemic. 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.

Enterprise is supportive of the state's efforts to move toward sustainable transportation and has participated in several working groups over the years that were tasked with increasing zero-emission vehicle charging infrastructure. We appreciate the opportunity to continue to engage in productive conversations about ways to increase the availability of charging infrastructure and the growth of the electric vehicles market in a sustainable way without mandating requirements on private business.

For the above reasons, we respectfully oppose this measure and ask that it be held. Thank you for the opportunity to submit this testimony.

SB-774

Submitted on: 2/8/2021 2:00:57 PM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Ruta Jordans | Individual | Support | No |

Comments:

A wonderful way to promote more electric vehicles. Please support!

SB-774

Submitted on: 2/10/2021 8:47:58 AM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Justin R Carvalho | Individual | Support | No |

Comments:

To the Leaders of Hawaii,

On behalf of myself a lifetime resident of Kauai, I write in strong support of SB774.

Justin Carvalho

SB-774

Submitted on: 2/10/2021 3:13:57 PM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Andrew Richard Kass | Individual | Support | No |

Comments:

Aloha Senators,

As an environmentalist and EV driver, I am in strong support of tax credits towards the purchase of electric vehicle charging infrastructure and electric rental vehicles.

Mahalo,

Andrew Kass

302 Makani Rd.
Kapaa, HI, 96746

Hawaii resident since 2003
EV driver since 2014

SB-774

Submitted on: 2/11/2021 12:36:54 PM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Steve Parsons | Individual | Support | No |

Comments:

Aloha Hawaii Lawmakers!

I strongly support SB 774. EV adoption acceleration requires great EV prices and Charging infrastructure. Please incentivize anyone that wants to install chargers, ESPECIALLY High Speed DC 50Kwh- 250Kwh! These can add 80 miles of range in about 10 mins. Please pass this.

Mahalo for all you do!

Steve Parsons, Kauai Resident Wailua

LATE

SB-774

Submitted on: 2/12/2021 12:22:17 PM

Testimony for TRS on 2/12/2021 3:30:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| GORAN RAD | Individual | Support | No |

Comments:

Please support this sensible bill to maintain and further create a sustainable transportation infrastructure that will build our local economy and further allow locally sourced energy to be consumed. Thank you!