

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

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 4, 2021  
Time: 3:00 P.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 646, Relating to Taxation**

The Department of Taxation (Department) offers the following comments regarding S.B. 646, 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.

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.



JADE T. BUTAY  
DIRECTOR

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

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

February 4, 2021  
3:00 P.M.  
State Capitol, Teleconference

**S.B. 646**  
**RELATING TO TAXATION**  
Senate Committee on Transportation

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The Department of Transportation (DOT) offers its **support with comments** to this bill which increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8 a day, or any portion of a day that a rental motor vehicle is rented or leased for any county with a resident population of more than 125,000, but less than 195,000 and sets aside \$3 for every \$8 collected to be deposited into that county's subaccount within the state highway fund.

The DOT respectfully requests that consideration be given to H.B. 0485 which proposes to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 statewide effective January 1, 2023 without a resident population limit; or with the provision for \$3 of every \$8 collected deposited into that county's subaccount within the state highway fund.

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 care users may decrease rental care 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.

# 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, Increase on Maui

BILL NUMBER: SB 646

INTRODUCED BY: KEITH-AGARAN, ENGLISH, LEE, Misalucha

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, 2021.

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 2/1/2021



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

Thursday, February 4, 2021; 3:00 PM  
Hawaii State Capitol; Via Videoconference

**RE: SB 646 Relating to Taxation - IN OPPOSITION**

Aloha Chair Lee, Vice Chair Inouye and Members of the Committee:

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

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.

Avis Budget Group's Hawaii operations suffered a significant revenue loss in 2020 due to the pandemic. 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 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 3, 2021

TO: Senator Chris Lee  
Chair, Committee on Transportation

FROM: Mihoko Ito

RE: **S.B. 646, Relating to Taxation**  
**Hearing Date: Thursday, February 4, 2021 at 3:00 p.m.**  
**Conference Room: 224**

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Dear Chair Lee, Vice Chair Inouye, and members of the Senate 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, and Enterprise Commute (Van Pool).

Enterprise **opposes** S.B. 646, 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 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 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 TRANSPORTATION  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 224  
THURSDAY, FEBRUARY 4, 2021 AT 3:00 P.M.**

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

**SUPPORT SB646 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.

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.