



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Transportation and Culture and the Arts
Tuesday, January 31, 2023
3:00 PM**

**On the following measure:
S.B. 335, RELATING TO MOTOR VEHICLE RENTAL INDUSTRY**

Chair Lee and Members of the Committee:

My name is Mana Moriarty, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection. The Department supports this bill.

The purpose of this bill is to repeal vehicle license recovery fees. The Department supports this bill because it repeals the vehicle license recovery fees that car rental companies are authorized to pass onto consumers and to calculate using unfair methods. This is consistent with the Department's position when it opposed H.B. 735, H.D. 2, S.D. 2, C.D. 1, which was enacted into law as Act 137, Session Laws of Hawaii 2017.

Act 137 amended Hawaii's Motor Vehicle Rental Law (Hawaii Revised Statutes chapter 437D) in two significant ways. First, it added one-time fees to the litany of fees that car rental companies were authorized to visibly pass onto consumers. Prior to Act 137, the car rental industry was only allowed to visibly pass on recurring costs, such as general excise taxes, license and registration fees, surcharge taxes, and rents and fees

payable to the Hawaii Department of Transportation. The car rental industry was not allowed to visibly pass on fixed one-time costs of doing business, such as use taxes attributable to the importation of motor vehicles to the State, and license plate fees. In this regard, authorizing the passing on of one-time fees was a significant departure from the previous statutory policy favoring the visible pass-on of only recurring government fees and taxes.

Secondly, Act 137 changed the method of calculating the pass-on costs. Currently, the Motor Vehicle Rental Law authorizes a visible pass-on to consumers if it is prorated at $1/292^{\text{nd}}$ of the annual fees and taxes paid on the vehicle being rented. This rate may have resulted in some consumers being charged more than their fair share of the taxes. The Department supports changing the proration method to $1/365^{\text{th}}$, because consumers would thereby be charged for fees and taxes that are directly attributable to their use of the vehicle on a particular day. This would be a logical and fair method of passing on these costs.

Thank you for the opportunity to testify on this bill.

Testimony of DCCA
S.B. 335
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[Continue text here.]



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Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Transportation and Culture and the Arts

Tuesday, January 31, 2023, 3:00 p.m.
Conference room 224 & Videoconference

RE: SB 335 – Relating to Motor Vehicle Rental Industry – In Opposition

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

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Avis Budget Group is in opposition to SB 335, which repeals vehicle license recovery fees.

Hawaii is in line with 49 other states that allow for the pass through and recovery of government assessed vehicle fees. These fees are visibly disclosed as line items when you reserve a car. Attached is a screen shot of a Budget Booking page. The vehicle license fee is based on the vehicle type.

Vehicles are not rented every day of the year due to down time for maintenance and other conditions which may be outside the control of the rental company such as accidents and thefts. Prior to the COVID pandemic, the average vehicle was rented 20-25 days per month. Therefore, the previous methodology of prorating the vehicle license recovery fees at 1/365th of the annual vehicle license recovery fees resulted in a significant shortfall. The existing law is intended to capture and recover a fair amount of government imposed fees.

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

Attachment



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2

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4 Your Information

Pick-Up

Honolulu Intl Airport, HNL ⓘ
Tue, Jan 31, 12:00 PM

Return

Honolulu Intl Airport, HNL ⓘ
Wed, Feb 01, 12:00 PM



Intermediate

Toyota Corolla or similar ⓘ

5 ⓘ Auto 1 2

Base Rate	\$39.00
Taxes & Fees	\$17.92
Concessionaire Fee (11.11%)	4.41
Customer Facility Charge - 4.50/day	4.50
Highway Use Fee - 6.00/day	6.00
Vehicle License Fee Recoupment - 0.72/day	0.72
Total Tax	2.29
Estimated Total	\$56.92
See Rate Terms	

- ✓ Unlimited Mileage
- ✓ \$0 Due Today
- ✓ Free Cancellation



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: January 30, 2023

TO: Senator Chris Lee
Chair, Committee on Transportation and Culture and the Arts

FROM: Matt Tsujimura

RE: **S.B. 335, Relating to Motor Vehicle Rental Industry**
Hearing Date: Tuesday, January 31, 2023 at 3:00 p.m.
Conference Room 224

Dear Chair Lee, Vice Chair Inouye, and Members of the Committee on Transportation and Culture and the Arts

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 Holdings **opposes** S.B. 335, which repeal the vehicle license recovery fees.

In 2017, the Legislature amended HRS 437D to bring Hawaii in line with 38 other states by allowing rental car companies to pass on to customers the government fees and taxes that are assessed on each vehicle. HRS 437D-8.4 requires that rental car companies must visibly list on its rental car contracts the fees and taxes that they incur. Prior to 2017, the statute did not allow rental car companies to recover all of the government assessed fees that are paid.

S.B. 335 would not allow rental car companies to pass on the majority of the government-imposed fees and taxes. The statute currently includes all fees that rental companies pay to make a vehicle ready to rent. Removing any of these fees from the statute would be detrimental and regressive to the car rental industry.

S.B. 335 also amends the calculation of the fees from 1/292nd to 1/365th of the annual cost. Reverting to a calculation of 1/365th virtually ensures that car rental companies in Hawaii under-collect government taxes and fees. Rental cars are only rented on average 80% of the calendar year. Vehicles are routinely grounded for maintenance, repair, cleaning, and recalls. When cars are grounded, vehicles cannot be rented and fees go uncollected. Keeping the current statutory calculation ensures that the fees are fairly and equitably collected.

Enterprise provides over 1,000 jobs locally throughout the state, and prides itself on the significant contributions it has made to Hawaii's community. A healthy and robust rental car industry is vital to Hawaii's tourism economy. The COVID-19

pandemic caused serious supply chain costs increases, and with a decreased availability of vehicles to purchase, the rental car industry is still on the road to recovery

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