

A Bill for an Act Relating to Taxation.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. While section 251-2, Hawaii Revised Statutes, pertains to surcharge taxes for rental motor vehicles and tour vehicles, the legislature finds that in 1999, it temporarily increased the daily surcharge tax on rental motor vehicles and not tour vehicles. This temporary tax increase of \$1 generates about \$14,000,000 a year for the highway fund and this increase is scheduled to sunset on August 31, 2007. The highway fund is in need of revenues and would suffer from the loss of revenues if this sunset provision took place.

The purpose of this Act is to avoid the loss of revenues by extending the sunset provision deadline by one year while a study is being conducted. In calling for a study the legislature finds that when these surcharge taxes were first established in 1991, there appeared to be no clearly stated basis or rationale for the establishment of the taxes and in particular the relationship or the amount of the taxes between rental motor vehicles and tour vehicles. In addition, the study shall include and not be limited to exploring the present and future needs of the highway fund and alternative means of increasing revenues from vehicles other than just rental and tour vehicles.

SECTION 2. Section 251-2, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) There is levied and shall be assessed and collected each month a rental motor vehicle surcharge tax of \$2 a day, except that for the period of September 1, 1999, to August 31, [2007,] 2008, the tax shall be \$3 a day, or any portion of a day that a rental motor vehicle is rented or leased. The rental motor vehicle surcharge tax shall be levied upon the lessor; provided that the tax shall not be levied on the lessor if:

- (1) The lessor is renting the vehicle to replace a vehicle of the lessee that is being repaired; and
- (2) A record of the repair order for the vehicle is retained either by the lessor for two years for verification purposes or by a motor vehicle repair dealer for two years as provided in section 437B-16.”

SECTION 3. (a) There shall be a joint senate and house of representatives task force, appointed by the president of the senate and the speaker of the house of representatives, to conduct a review of the financial requirements of the state highway fund, with an emphasis on the adequacy and equity of revenues generated by one or more revenues sources pursuant to section 251-2, Hawaii Revised Statutes, compared with other revenue sources contributing to or that could be contributing to the highway fund.

(b) The review may include but shall not be limited to discussions and meetings with representatives of different interest groups and present contributors of revenues to the highway fund and may also include:

- (1) Past, present, and projected revenues of the state highway fund;
- (2) The ability of the department of transportation to plan, implement, and expend funds on a timely basis;
- (3) An analysis of the actual revenue needs of the department of transportation;

(4) Other revenue sources of the state highway fund and their nexus to the fund; and

(5) Other governmental matching funds.

(c) The review shall include but not limited to data from the 2000-2001 fiscal year to present and may include any data, information, or conclusions reported by task forces or groups that have discussed or met in the past to evaluate at least in part the fiscal needs or viability of the state highway fund.

(d) The joint task force shall submit a report of its findings to the legislature twenty days prior to the convening of the regular session of 2008.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon approval.

(Approved July 5, 2007.)