STAND. COM. REP. NO. 1696

Honolulu, Hawaii

H.D. 1

RE: H.R. No. 133

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2007 State of Hawaii

Sir:

Your Committees on Consumer Protection & Commerce and Economic Development & Business Concerns, to which was referred H.R. No. 133 entitled:

"HOUSE RESOLUTION REQUESTING THE DEPARTMENT OF TAXATION TO STUDY WHETHER LEASES BETWEEN RELATED ENTITIES IN THE CAR RENTAL INDUSTRY SHOULD BE SUBJECT TO HAWAII'S GENERAL EXCISE TAX."

beg leave to report as follows:

The purpose of this resolution is to request the Department of Taxation (DoTax) to study whether leases between related entities in the car rental industry should be exempt from Hawaii's general excise tax (GET) under section 237-23.5, Hawaii Revised Statutes (HRS), which provides a GET exemption for certain transactions between related entities.

The Hertz Corporation testified in support of this measure. DoTax, National Car Rental, Alamo Car Rental, Dollar Rent a Car, and Thrifty Car Rental submitted comments.

Some rental car companies finance their vehicles through a special purpose financing entity owned by the company, that issues debt instruments secured by the rental vehicles. The vehicles are then leased to a car rental agency, owned by the same company, that rents the vehicles to consumers. These lease transactions between related car rental entities are currently subject to the GET, in addition to the lease transactions between the car rental

HR133 HD1 HSCR CPC-EDB HMS 2007-3466



agency and consumers, even though the car rental agency and special purpose financing entity are owned by the same company.

While this measure seeks to address this issue by requesting DoTax to study whether leases between related car rental entities should be subject to the GET, concerns have been raised as to whether DoTax would be the appropriate agency to determine whether the GET exemption under section 237-23.5, HRS, applies to leases between related car rental entities.

Accordingly, your Committees have amended this measure by:

- (1) Amending the title to read: "REQUESTING THE DEPARTMENT OF THE ATTORNEY GENERAL TO DETERMINE WHETHER LEASES BETWEEN RELATED CAR RENTAL ENTITIES ARE EXEMPT FROM THE GENERAL EXCISE TAX AND IF SO, REQUESTING DOTAX TO APPLY THE EXEMPTION";
- (2) Substituting the Department of the Attorney General for DoTax as the agency requested to conduct the study; and
- (3) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Economic Development & Business Concerns that are attached to this report, your Committees concur with the intent and purpose of H.R. No. 133, as amended herein, and recommend that it be referred to the Committee on Finance, in the form attached hereto as H.R. No. 133, H.D. 1.

Respectfully submitted on behalf of the members of the Committees on Consumer Protection & Commerce and Economic Development & Business Concerns,

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EXT N. HERKES, Chair

KYLE T. YAMASHITA, Chair

HR133 HD1 HSCR CPC-EDB HMS 2007-3466



## State of Hawaii House of Representatives The Twenty-fourth Legislature

## Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.:	Date:	Date:				
HR 133	March 28, 2007					
Committee Referral: CPC/EDB, FIN	☐ The committee is reconsidering its previous decision on the measure.					
.The recommendation is to:  Pass, unamended	<b>✓</b> Pa	✓ Pass, with amendments				
☐ Hold	<ul> <li>Pass, with amendments, for recommittal for further consideration</li> </ul>					
CPC Members	Ayes	Ayes (WR)	Nays	Excused		
1. HERKES, Robert N. (C)	×					
2. McKELVEY, Angus L.K. (VC)	×					
3. CALDWELL, Kirk		×				
4. EVANS, Cindy	×					
5. GREEN, Josh, M.D.				×		
6. ITO, Ken				×		
7. LUKE, Sylvia				×		
8. MORITA, Hermina M.		-		×		
9. SONSON, Alex M.				×		
10. SOUKI, Joseph M.		~				
11. TSUJI, Clift	×					
12. YAMANE, Ryan I.	×					
13. YAMASHITA, Kyle T.	×					
14. MARUMOTO, Barbara C.	×	·				
15. THIELEN, Cynthia	Y					
TOTAL	8	2		5		
The recommendation is:				i populari de la companio de la comp		
☐ Not Adopted				·		
If joint referral, did not support recommendation.						
committee acronym(s)						
Vice Chair's or designee's signature:						
Distribution: Original (White) – Committee Duplicate (Yellow) – HMSO Duplicate (Pink) – Clerk's Office						

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The recommendation is to:  Pass, unamended	2 Pas	Pass, with amendments				
☐ Hold	Pass, with amendments, for recommittal for further consideration					
EDB Members	Ayes	Ayes (WR)	Nays	Excused		
1. YAMASHITA, Kyle T. (C)						
2. WAKAI, Glenn (VC)						
3. BERG, Lyla B., Ph.D.				V		
4. BROWER, Tom		•		~		
5. CHANG, Jerry L.						
6. HANOHANO, Faye P.						
7. HERKES, Robert N.	V					
8. MANAHAN, Joey						
9. TSUJI, Clift	V _					
10. YAMANE, Ryan I.						
11. CHING, Corinne W.L.				V		
12. MARUMOTO, Barbara C.	\ <u></u>	<u> </u>				
TOTAL	7					
TOTAL	/			7		
The recommendation is:  Adopted  Not Adopted  If joint referral,  con	nmittee acronym(	did not supp s)	ort recommendation			
Vice Chair's or designee's signature:	$\rightarrow$					
X9X1/						
Distribution: Original (White) – Committee	Duplicate (Yellow) – Clerk's Office					