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# A BILL FOR AN ACT

RELATING TO RENTAL CARS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. Section 237-23.5, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) This chapter shall not apply to amounts received,  
4 charged, or attributable to services furnished by one related  
5 entity to another related entity or to imputed or stated  
6 interest or other receipts attributable to loans, advances, or  
7 use of capital between related entities.

8 As used in this subsection:

9 "Related entities" means:

10 (1) An affiliated group of corporations within the meaning  
11 of section 1504 (with respect to affiliated group  
12 defined) of the federal Internal Revenue Code of 1986,  
13 as amended;

14 (2) A controlled group of corporations within the meaning  
15 of section 1563 (with respect to definitions and  
16 special rules) of the federal Internal Revenue Code of  
17 1986, as amended;

18 (3) Those entities connected through ownership of at least



1           eighty per cent of the total value and at least eighty  
 2           per cent of the total voting power of each such entity  
 3           (or combination thereof), including partnerships,  
 4           associations, trusts, S corporations, nonprofit  
 5           corporations, limited liability partnerships, or  
 6           limited liability companies; and

7           (4) Any group or combination of the entities described in  
 8           paragraph (3) constituting a unitary business for  
 9           income tax purposes;

10          whether or not the entity is located within or without the State  
 11          or licensed under this chapter.

12           "Services" means legal and accounting services, the use of  
 13          computer software and hardware, information technology services,  
 14          database management, and those managerial and administrative  
 15          services performed by an employee, officer, partner, trustee,  
 16          sole proprietor, member, or manager in the person's capacity as  
 17          an employee, officer, partner, trustee, sole proprietor, member,  
 18          or manager of one of the related entities and shall include  
 19          overhead costs attributable to those services.

20           "Use of capital" shall include all receipts for the lease  
 21          of motor vehicles for use in car rental operations received by  
 22          an entity that finances such vehicles through debt secured by



1 the vehicles or by the proceeds from the lease, rental, or sale  
2 of the vehicles, and leases or rents the vehicles to a related  
3 entity."

4 SECTION 2. New statutory material is underscored.

5 SECTION 3. This Act shall take effect upon its approval.



**Report Title:**

Rental Cars

**Description:**

Exempts from the general excise tax, amounts paid by car rental agencies to a related entity for the lease of motor vehicles used in car rental operations. (HB522 HD1)

