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GOVERNOR

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**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, &  
MILITARY AFFAIRS**

**TESTIMONY REGARDING HB 829  
RELATING TO ARMED SERVICES**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 17, 2009**

**TIME: 8:30AM**

**ROOM: 312**

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This bill proposes to exempt Hawaii residents who are disabled veterans from the vehicle tax and registration fees imposed under Chapter 249, Hawaii Revised Statutes.

The House Committee on Transportation passed the measure unamended.

The Department of Taxation (Department) takes **no position** on this measure; however **cannot support enactment this session due to fiscal constraints.**

**STRONG SUPPORT FOR VETERANS**—This legislation provides for a much-deserved exemption from the vehicle tax and registration fees associated with licensing a motor vehicle. The Administration has always supported veterans and service members, as evidenced by the passage of a vehicle tax exemption for military members last year. Veterans of the various armed services that protect this country should be exempt from taxation on their vehicle.

**CANNOT SUPPORT THE FISCAL IMPACT AT THIS TIME**—The Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

This legislation will result in a decrease to the State Highway Fund of approximately \$741,000 per year.

STATE OF HAWAII  
OFFICE OF VETERANS SERVICES  
TESTIMONY ON H.B. No. 829, RELATING TO ARMED SERVICES  
COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY  
AFFAIRS

February 17, 2009

Good morning Chair Angus McKelvey, Vice-Chair Isaac Choy, and members of the House Committee on Economic Revitalization, Business & Military Affairs.

I am Mark Moses, Director of the Office of Veterans Services (OVS). I appreciate this opportunity to support H.B. 829. Which provides an exemption from vehicle taxes and registration fees for members of the armed services, including members of the National Guard and Reserves, who were disabled in the line of duty while on active military service.

The OVS, during conversations with our veterans, learned that many were disappointed that legislation passed last session exempting active duty, National Guard and Reservist from vehicle taxes and registration fees did not include any recognition of the sacrifices made by them. This measure corrects that oversight.

The OVS supports the intent of this measure as long as its implementation does not impact or replace the priorities set forth in the Executive Biennium Budget for Fiscal Years 2009-2010.

*Given our current economic circumstances, it may not be practical to implement this measure at this time. It most definitely is a matter worthy of consideration when the state's fiscal situation improves.*

Thank you for this opportunity to speak on behalf of Hawaii's veteran community.

I will respond to questions from the committee.

DEPARTMENT OF CUSTOMER SERVICES  
**CITY & COUNTY OF HONOLULU**  
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS  
ADMINISTRATION  
P.O. BOX 30300  
HONOLULU, HAWAII 96820-0300

MUFI HANNEMANN  
MAYOR



DANA TAKAHARA-DIAS  
ACTING DIRECTOR

DENNIS A. KAMIMURA  
LICENSING ADMINISTRATOR

February 13, 2009

The Honorable Angus L. K. McKelvey, Chair  
and Committee Members  
Committee on Economic Revitalization,  
Business and Military Affairs  
House of Representatives  
State of Hawaii  
State Capitol, Room 323  
Honolulu, Hawaii 96813

Dear Chair McKelvey and Committee Members:

Subject: H.B. No. 829, Relating to Armed Services

The City and County of Honolulu is opposed to H.B. No. 829 which will exempt taxes and fees for vehicles owned by veterans who have a service connected disability.

Although we agree with the intent of the bill to recognize those veterans that have suffered a service connected disability while serving our Nation, the City and County of Honolulu cannot support the passage of this bill based upon our fiscal challenges. If this bill passes and assuming that an average vehicle weighing 3,200 pounds, the following will be exempt: State Weight Tax: \$24.00, State Registration Fee: \$25.00; Honolulu County Weight Tax: \$96.00. The following will not be exempt: Honolulu County Registration Fee: \$20.00; Honolulu Highway Beautification Fee: \$5; Emblem Fee: \$0.50. The \$25.50 is the current amount that is being paid by nonresident military personnel.

The City and County of Honolulu recommends that H.B. No. 829 be held.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis A. Kamimura", is written over a faint, larger version of the same signature.

DENNIS A. KAMIMURA  
Licensing Administrator

DAK:bk

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** MOTOR VEHICLE, Exempt vehicles of disabled veterans

**BILL NUMBER:** SB 1038; HB 829 (Identical)

**INTRODUCED BY:** SB by Hanabusa by request; HB by Shimabukuro and 1 Democrat

**BRIEF SUMMARY:** Amends HRS section 249-13 and HRS section 249-31 and adds a new section to HRS chapter 249 to provide that passenger motor vehicles owned by veterans of the armed services, including the U.S. Coast Guard or members of the national guard or U.S. military reserves, who are residents of the state and who have a service connected disability shall be exempt from the vehicle weight tax and the state registration fee.

Defines "service connected disability" as a disability that was incurred in the line of duty while on active military, naval, air, coast guard, or U.S. military reserve service. Defines "veteran" as a person who served in the active military, naval, or air service, coast guard, or national guard or military reserves called to active duty by executive order, who was honorably discharged.

**EFFECTIVE DATE:** July 1, 2009

**STAFF COMMENTS:** This measure proposes to exempt noncommercial motor vehicles owned by veterans of the armed services, including the U.S. Coast Guard or members of the national guard or U.S. military reserves, who are residents of the state and who have a service connected disability from the vehicle weight tax and the state registration fee. The legislature by Act 141, SLH 2008, exempted from the motor vehicle weight taxes, one noncommercial motor vehicle owned by members of the national guard, reserves, active duty armed services, including the coast guard who are residents of Hawaii.

Inasmuch as the motor vehicle weight tax and registration fees are user charges designed to recover the cost of construction and maintenance of Hawaii's highway system, there is little justification for the proposed exemption. It should be remembered that all motorists use the state highways and should, therefore, lend a hand in paying for good and safe roads. Note well, that any exemption granted to a select group of users requires that the lost revenues be made up by those who must continue to pay. Motorists who will have to pick up the additional cost created by this proposed exemption should hold those who would propose such an exemption responsible for raising their taxes.

There is no indication that this select group of motorists is in need of relief from the tax and registration fees and, therefore, there is no justification for this proposal. Administrators, as well as lawmakers, need to separate the two issues and look at the fact that they are in office to insure the efficient operation of state government that provides services to those who pay for those services.

It should be noted that the state highway fund is already forecasted to drop into red ink by nearly \$54 million by the end of the fiscal year 2010. Thus, there is no doubt that highway user taxes and fees will have to be raised either this or next legislative session. If revenues are not raised, the state will default on

SB 1038; HB 829 - Continued

its highway debt and could, in turn, jeopardize the rating of all its debt. Thus, politically motivated exemptions or preferences, as this measure proposes, are fiscally irresponsible especially where there is no indication of need for tax relief. Consider the exemption of automobiles with disabled stickers that are exempt from paying parking meter fees and that exemption is dangling on the review view mirror of a Jaguar XJE. Does that driver not have the financial means to pay the quarter for the privilege of parking on a public street?

Digested 1/30/09

## TESTIMONY IN SUPPORT OF HB 829

I would like to offer testimony in support of HB 829 (Vehicle Weight Tax Exemption for Veterans)

My name is Brooks W. Outland. I am a 20-year U.S. Navy Retiree. Unfortunately, I also have a VA Service-Connected Disability Rating of 100%, Individually Unemployable (IU), Permanent & Total.

I appreciate the opportunity to address this Committee in support HB 829. I am gratified that the Committee on Transportation voted unanimously to recommend passage of this measure.

Based on the testimonies attached to the measure, I am saddened to learn that, once again, the dollar sign (\$) stands in the way of efforts to provide benefits to our disabled veterans!

Based on almost 20 years experience in actively supporting proposed legislation which affects our disabled military retirees, I am not surprised to see that recognizing the sacrifices of our disabled veterans is again over-shadowed by the fiscal challenges facing the State of Hawaii. It took over 30 years to raise the rate of mileage reimbursement for veterans travelling to-and-from VA hospitals/clinics! It took over a century to approve the concurrent receipt of VA disability compensation and military retired pay those veterans rated 50% or more disabled!

All of the Hawaii State departments that provided testimony have indicated that, "...this measure provides for a *much-deserved exemption...*;" "...*that it is a matter worthy of consideration...*;" "...that *although we agree with the intent of the bill...*," these expressions of concern for our disabled veterans are all dashed to the ground by the importance attached to the fiscal challenges which face this state.

I would hope that the state of Hawaii would be proud to join other states which have chosen to provide this exemption to their disabled military veterans. Is the disabled veteran residing in Florida more deserving to receive this exemption than disabled veterans residing in Hawaii?

Many disabled veterans are unable to obtain employment, because of their disabilities and are therefore hard-pressed to pay this annual tax. Relief from this tax would permit affected veterans to better provide for the welfare of their families.