

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

HOUSE COMMITTEE ON TRANSPORTATION

TESTIMONY REGARDING HB 829 RELATING TO ARMED SERVICES

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

DATE: FEBRUARY 2, 2009

TIME: 9AM

ROOM: 309

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 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
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 2, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 829

COMMITTEE ON TRANSPORTATION

House Bill 829 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 Department of Transportation (DOT) supports veterans and understands the efforts to reward their sacrifices for our country with lower fees and charges. However, **the Department must oppose this bill** because it would have an adverse impact on fees that support the operations and maintenance, and construction of our highways.

The exemption from the state registration fee will reduce the revenues deposited into the State Highway Fund. The state registration fee makes up 10 per cent of the total State Highway Fund revenues. At a time when the Highways Division is looking for new ways to generate revenue and maintain current revenue levels, any decrease would be detrimental to the health of the State Highway Fund.

STATE OF HAWAII
OFFICE OF VETERANS SERVICES
TESTIMONY ON H.B. No. 829, RELATING TO ARMED SERVICES
COMMITTEE ON TRANSPORTATION

February 2, 2009

Good morning Chair Joseph Souki, Vice-Chair Karen Leinani Awana, and members of the House Committee Transportation

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
DIRECTOR

DENNIS A KAMIMURA
LICENSING ADMINISTRATOR

January 31, 2009

The Honorable Joseph M. Souki, Chair
and Committee Members
Committee on Transportation
House of Representatives
State of Hawaii
State Capitol, Room 403
Honolulu, Hawaii 96813

Dear Chair Souki 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.

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".

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
SUBMITTED 30 JANUARY 2009

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

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

My wife and I recently relocated (31 July 2007) from Titusville, Florida. We have purchased a home at 87-1057 Huamoa Street, Waianae (Sea Country).

When I registered my vehicle in Waianae, I learned that military veterans were not exempt from the Vehicle Weight Tax. I realize that the laws in individual states of the United States sometimes differ. While residing in the state of Florida, from 1971 to 2006, I received an exemption from the payment of taxes which applied to my vehicle. When I re-registered my vehicle each year, I paid only the administrative fee (less than \$3.00).

It has always been my belief that disabled military veterans who are eligible for benefits should be able to receive those benefits, regardless of his/her state of residence. I do not believe it fair for a disabled military veteran residing in the state of Florida to receive a benefit which is not awarded to other disabled military veterans who happen to reside in a different state.

I can appreciate that many laws differ from state to state, but exemption from the payment of taxes should cover all disabled veterans, regardless of the state in which he/she resides. I believe that disabled military veterans residing on Oahu should be exempt from paying the annual Vehicle Weight Tax.

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.

It is my intention to attend the hearing scheduled for Monday, 02 January 2009.