

**SB 2228**

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



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**SENATE COMMITTEES ON TRANSPORTATION, INTERNATIONAL &  
INTERGOVERNMENTAL AFFAIRS AND COMMERCE &  
CONSUMER PROTECTION**

**TESTIMONY REGARDING SB 2228  
RELATING TO TAXATION**

**\*\*\*WRITTEN TESTIMONY ONLY\*\*\***

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**  
**DATE: FEBRUARY 3, 2010**  
**TIME: 2PM**  
**ROOM: 224**

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This measure proposes to exempt rentals of electric vehicles from the rental motor vehicle surcharge tax.

The Department of Taxation **opposes this measure because it is not factored into the executive budget.**

**SUPPORT FOR ALTERNATIVE ENERGY TRANSPORTATION**—The Department recognizes the importance of this legislation because this bill provides an attractive incentive that serves as another step in the right direction for minimizing Hawaii's dependence on fossil fuels. The Department and the Administration both recognize the importance of Hawaii's energy independence and are in strong support of policies to that effect. The Administration is committed to energy conservation and promoting alternative energy transportation, including reducing Hawaii's fuel dependency.

**NOT FACTORED INTO BUDGET**—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.

LINDA LINGLE  
GOVERNOR



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IN REPLY REFER TO:

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February 3, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 2228

COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND  
INTERGOVERNMENTAL AFFAIRS

Although the Department of Transportation supports energy conservation efforts, it opposes this bill to exempt lessors from the rental motor vehicle surcharge tax when renting an electric vehicle.

The rental motor vehicle surcharge tax is a major source of revenue for the State Highway Fund, providing \$39.3 million or 20 % of the total revenues for FY 2009. That marks a \$9.5 million decrease from the \$48.8 million collected during the previous fiscal year.

This would be detrimental to the DOT at a time when the Highways Division is looking for additional revenues for the State Highway Fund to operate, maintain and construct the State Highway System and is unable to support this measure.

Testimony before the Senate Committees on  
Transportation, International and Intergovernmental Affairs  
and  
Commerce and Consumer Protection

S.B. 2228, Relating to Taxation

Wednesday, February 3, 2010  
2:00 p.m., Conference Room 224

By Carlos Perez Loriga  
Director  
Customer Technology Applications Division  
Hawaiian Electric Company, Inc.

Chairs English and Baker, Vice Chairs Gabbard & Ige and members of the  
Committees:

My name is Carlos Perez Loriga and I am testifying on behalf of  
Hawaiian Electric Company, Inc., and its subsidiary utilities, Maui Electric  
Company, Ltd., and Hawaii Electric Light Company, Inc.

S. B. 2228 provides a rental motor vehicle surcharge tax exemption  
for new qualified plug-in electric drive motor vehicles.

While sensitive to the financial challenges that the State is currently  
facing, Hawaiian Electric Company supports S.B. 2228, to promote the  
increased use of electric and plug-in hybrid electric automobiles. Increased  
consumer acceptance of these types of vehicles will aid in the reduction of  
greenhouse emissions and fossil fuel use and will help enable the Hawaii  
Clean Energy Initiative's goal of 70% clean, renewable energy by 2030.

Thank you for the opportunity to testify.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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**SUBJECT:** RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Exempt electric vehicle

**BILL NUMBER:** SB 2228

**INTRODUCED BY:** Gabbard, Hooser, 6 Democrats and 1 Republican

**BRIEF SUMMARY:** Amends HRS section 251-2 to provide that the rental motor vehicle surcharge tax of \$2 per day shall not be imposed if the lessor is renting a new qualified plug-in electric drive motor vehicle.

Defines “new qualified plug-in electric drive motor vehicle” as a motor vehicle that is: (1) originally used by the taxpayer for purposes of transporting persons or property, (2) acquired for use or lease by the taxpayer and not for resale; (3) made by a manufacturer; (4) treated as a motor vehicle; (5) less than a gross vehicle weight rating of 14,000 pounds; and (6) propelled to a significant extent by an electric motor powered by a battery that has a capacity of at least 4 kilowatt hours and is capable of being recharged from an external source of electricity. Further defines “capacity,” “manufacturer” and “motor vehicle” for purposes of the measure.

**EFFECTIVE DATE:** July 1, 2010

**STAFF COMMENTS:** The legislature by Act 263, SLH 1991, adopted a \$2 per day tax on rental motor vehicles as part of the state administration’s plan to bail out the state’s ailing highway fund.

Subsequently, the legislature by Act 223, SLH 1999, increased the amount of the surcharge to \$3 between 11/1/99 to 8/31/07. While the legislature by Act 258, SLH 2007, extended the surcharge to 8/31/08, it was extended until August 31, 2011 by the 2008 legislature by Act 226, SLH 2008.

It should be remembered that when the rental motor vehicle tax was enacted it was aimed primarily at visitors, in an attempt to make that segment of the de facto population pay a larger share of the cost of maintaining the highways. It also allowed lawmakers to avoid raising the tax on gasoline even higher than the additional five cents they adopted with the 1991 legislation. While this measure would exempt certain electric vehicles from the imposition of the \$3 per day rental motor vehicle surcharge tax, this would result in “free ride” for these electric vehicles as they would not be paying their fair share even though they are driven on the same roads as all other motor vehicles.

Given that such cars do not contribute to the repair and maintenance of state’s highways through the traditional resources such as the fuel tax, the rental vehicle surcharge seems an appropriate in-lieu contribution. While lawmakers may be enthusiastic in their support for the use of alternate energy and sustainability, they must remember that the appropriate financing of public services must remain their focus. Understanding the relationship between the program or service being provided and the means of paying for that service or program insures the accountability for the funds being expended.

Digested 2/2/10