

STAND. COM. REP. NO.

42

Honolulu, Hawaii

Feb 7, 2011

RE: H.B. No. 444
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 444 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to foster the use of clean transportation thus reducing Hawaii's reliance on imported fossil fuels and generation of greenhouse gas emissions by exempting lessors of electric rental motor vehicles from the Rental Motor Vehicle Surcharge Tax.

The Sierra Club-Hawaii Chapter, EAN Holdings, LLC, High Technology Development Corporation, and Blue Planet Foundation testified in support of this bill. The Department of Taxation supported the intent of this measure. The Department of Transportation opposed this bill. The Tax Foundation of Hawaii provided comments.

Hawaii is one of the most fossil fuel dependent states in the nation with a majority of our oil being imported for use in transportation. Transitioning our automobiles away from the burning of fossil fuels will reduce Hawaii's oil dependence. One way of achieving this goal is to promote the use of electric vehicles and prove their market viability. Consumer incentives, such as the exemption of electric vehicles from the Rental Motor Vehicle Surcharge Tax, albeit small, will provide clean mobility

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solutions for both residents of and visitors to Hawaii, thereby promoting Hawaii's clean energy future.

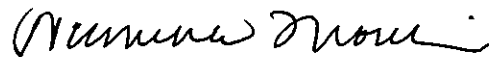
While concerns were raised that the exemption of electric vehicles from this surcharge may have a negative impact on revenues contained in the State Highway Fund since this surcharge generated approximately \$40 million in revenues in the 2010 fiscal year, your Committee notes that the fleet of electric vehicles this exemption would apply to is relatively small. According to one motor vehicle rental agency, their motor vehicle fleet consists of several thousand vehicles of which only ten will be electric. Thus, the impact of this surcharge exemption should be minimal.

Nevertheless, your Committee has amended this measure by inserting a sunset provision of two years so that the effects of this measure on the State Highway Fund can be reviewed over that period.

Your Committee has also made technical, nonsubstantive amendments to the bill for the purpose of consistency and clarity.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 444, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 444, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



HERMINA MORITA, Chair



