JOSH GREEN M.D. LT. GOVERNOR



STATE OF HAWAII **DEPARTMENT OF TAXATION** P.O. BOX 259 HONOLULU, HAWAII 96809 PHONE NO: (808) 587-1540 FAX NO: (808) 587-1560



RONA M. SUZUKI

To: The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director Department of Taxation

Re: S.B. 2687, S.D. 1, Relating to Taxation

Date: Thursday, February 20, 2020 Time: 10:35 A.M. Place: Conference Room 211, State Capitol

The Department of Taxation (Department) provides the following comments regarding S.B. 2687, S.D. 1.

S.B. 2687, S.D. 1, increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8, but only for a county with a resident population of more than 125,000, but less than 195,000. The additional revenue is to be deposited into that county's subaccount within the state highway fund established pursuant to section 248-9(c), Hawaii Revised Statutes. Currently, only Maui would be affected by this measure. The Senate Committee on Transportation adopted the Department's request to delay the effective date of the measure to January 1, 2021. As such, the Department will be able to administer this measure as currently written.

Thank you for the opportunity to provide comments.

Michael P. Victorino Mayor

Sananda K. Baz Managing Director





OFFICE OF THE MAYOR

COUNTY OF MAUI 200 S. HIGH STREET WAILUKU, MAUI, HAWAII 96793 www.mauicounty.gov

February 19, 2020

TESTIMONY OF MICHAEL P. VICTORINO MAYOR COUNTY OF MAUI

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 20, 2020, 10:35AM Conference Room 211

SB2687 SD1 RELATING TO RELATING TO TAXATION

Honorable Donovan M. Dela Cruz, Chair Honorable Gilbert S.C. Keith-Agaran, Vice Chair Honorable members of the Committee on Ways and Means

Thank you for this opportunity to testify in **SUPPORT** of SB2687 SD1.

The purpose of this bill is to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. It also sets aside the revenue from the increased surcharge tax for capacity projects in that county.

The revenue from this surcharge would provide necessary funds to the counties for critical infrastructure improvements. Maui County leads the neighbor islands in number of annual visitors, surpassing 3 million visitors in 2019. The funds from this surcharge increase would equitably use visitor dollars to help maintain and improve Maui's roads.

According to the Maui Metropolitan Planning Organization's Hele Mai Maui 2040 Long Range Transportation Plan, a rental vehicle surcharge is one of the most viable funding sources for critical road projects in our county, including the completion of the Honoapiilani Highway realignment. This project is necessary for both safety and economic vitality given the impacts of sea level rise and increased traffic congestion.

I strongly urge you to pass this measure, SB2687 SD1.

MICHAEL P. VICTORINO Mayor

MARC I. TAKAMORI Director

MICHAEL B. DU PONT Deputy Director





DEPARTMENT OF TRANSPORTATION

COUNTY OF MAUI 200 SOUTH HIGH STREET WAILUKU, MAUI, HAWAI'I 96793

TELEPHONE: (808) 270-7511 FAX: (808) 270-7505

February 18, 2020

TO: The Honorable Senator Donovan M. Dela Cruz, Chair The Honorable Senator Gilbert S. C. Keith-Agaran, Vice Chair Committee on Ways and Means

> Hearing Date/Time: Thursday, February 20, 2020 10:35AM Place: Hawaii State Capitol, Conference Room 211 415 South Beretania Street

FROM: Marc I. Takamori Director of Transportation

SUBJECT: Testimony in SUPPORT of SB2687 SD1 RELATING TO TAXATION

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

The County of Maui, Department of Transportation (MDOT) <u>SUPPORTS</u> SB2687 SD1 which increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8.

Our Maui Bus system accommodated over 1.9 million passengers in Fiscal Year 2019. Many of our residents rely on our service to be provided on-time. However, our Maui Bus system is still susceptible to the traffic congestion which causes delays to its schedule. The revenue would be able to fund projects to increase highway capacity and relieve traffic congestion, thereby improving the quality of life for residents and visitors in Hawaii.

Thank you for providing us the opportunity to provide testimony on this matter.

Council Chair Alice L. Lee

Vice-Chair Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore Tasha Kama

Councilmembers Riki Hokama Kelly Takaya King Michael J. Molina Tamara Paltin Shane M. Sinenci Yuki Lei K. Sugimura



Director of Council Services Traci N. T. Fujita, Esq.

COUNTY COUNCIL

COUNTY OF MAUI 200 S. HIGH STREET WAILUKU, MAUI, HAWAII 96793 www.MauiCounty.us

February 18, 2020

TO: The Honorable Donovan M. Dela Cruz, Chair Senate Committee on Ways and Means

FROM: Alice L. Lee Council Chair

SUBJECT: HEARING OF FEBRUARY 20, 2020; TESTIMONY IN <u>SUPPORT</u> OF SB 2687, SD 1, RELATING TO TAXATION

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to increase the rental motor vehicle surcharge tax to \$8 per day in Maui County and Hawaii County. The revenue generated will be used to fund projects that increase highway capacity and relieve traffic congestion.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

- 1. Visitor arrivals and their use rental vehicles continue to rise, with increasingly significant impacts on roadways and roadway congestion.
- 2. This measure would allow for additional revenues to improve road quality, increase highway capacity, and relieve traffic.

For the foregoing reasons, I **support** this measure.

ocs:proj:legis:20legis:20testimony:sb2687_paf20-061(33)_cdc

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE SURCHARGE TAX, Increase for Maui

BILL NUMBER: SB 2687, SD-1

INTRODUCED BY: Senate Committee on Transportation

EXECUTIVE SUMMARY: Increases the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. Sets aside the revenue from the increased surcharge tax for capacity projects in that county.

SYNOPSIS: Amends section 251-3, HRS, to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000, and earmarks the revenue from the increased surcharge tax for the affected county's subaccount within the state highway fund, provided that, with regard to the County of Maui, the moneys collected shall be directed towards the Honoapiilani highway realignment project before being used towards any other project.

EFFECTIVE DATE: January 1, 2021.

STAFF COMMENTS: The proposed measure would add another tax increase and would perpetuate the earmarking of rental motor vehicle and tour vehicle surcharge tax revenues. Yes, our highways and bridges need work, and the fuel tax that now feeds the highway fund has proven to be less stable as more and more consumers start using alternative fuel vehicles, electric vehicles, and hybrids. But does that justify burdening the visitor industry with yet another tax and without going through the normal appropriation and budgeting process that also considers sweltering primary schools, underfunded state pensions, or the unique costs of intercollegiate athletics?

Rather than the continual earmarking of revenues, a direct appropriation of general funds would be preferable. Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund highways and bridges, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/17/2020



200 South High Street Wailuku, HI 96793 www.mauimpo.org

Date: February 18, 2020

To: Honorable Lorraine R. Inouye, Chair Honorable Breene Harimoto, Vice Chair Honorable Members of the Senate Committee on Transportation

Re: Support for SB2687 SD1 Relating to Taxation

Hrg: February 20, 2020 at 10:35am at Conference Room 211

The Maui MPO Policy Board is in <u>support of SB2687 SD1</u> to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. The bill also sets aside the revenue from the increased surcharge tax for capacity projects in that county. With regards to the County of Maui, prioritizes funds collected pursuant to this Act to be used for the Honoapi'ilani highway realignment project. Effective date January 1, 2021.

In December 2019, Maui MPO Policy Board adopted the Hele Mai Maui 2040 Long Range Transportation Plan developed from previous plans and public input to create a list of priority projects to help achieve the island's vision for safety, resilience, and affordability. Hele Mai Maui 2040 demonstrated that there is an \$800 million funding gap over the next 20 years needed for transportation improvements.

Realignment of Honoapi'ilani Highway away from the shoreline is a critical project that would be advanced with revenues from an increase to the rental motor vehicle surcharge. Sea level rise and coastal erosion make the vulnerable stretch of highway near Ukumehame a top priority in the State system. Thousands of residents and visitors rely on this lifeline in and out of West Maui. Without funds to realign the road, more beaches and coral reef could be lost to coastal armoring. Safety concerns for wildlife, beachgoers and motorists will continue to increase unless the major highway is relocated inland, allowing for slower speeds and recreation along the shoreline.

With growing impacts of visitors to Maui's roadways, decision makers are tasked with difficult choices as they work to maintain quality of life for residents. Hele Mai Maui 2040 considered many funding options, and rental vehicle surcharge emerged as one of the most viable and preferable sources identified by State and County partners involved with the MPO.

Please support SB2687 SD1 to generate needed funds for transportation improvements.

<u>SB-2687-SD-1</u> Submitted on: 2/18/2020 5:09:05 PM Testimony for WAM on 2/20/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph D Pluta	Testifying for WEST MAUI TAXPAYERS ASSOCIATION INC.	Support	No

Comments:

The West Maui Taxpayers Association Inc. and it's thousands of members are strongly in support of this bill and it's intended purpose of funding realignment of the Honoapiiilani Hwy. which is suffering from severe erosion and in danger of shutting down West Maui's sole access road.

West Maui isolation on a single safe roadway is unparalledled anywhere else in the State of Hawaii where one community which supports over 50% of the economic income for the State and County is isolated on what is referred to as a dead end street.

We strongly support this bill and urge it's passage and intended purpose 100%. Time is of the Essence!

Respectfully Submitted,

Joseph D Pluta, President, WMTA

808-661-7990

avis budget group

Robert Muhs, Esq.

Vice President Government Affairs, Corporate Compliance & Business Ethics T - 973 496-3532 Robert.muhs@avisbudget.com

Senator Donovan Dela Cruz, Chair Senator Gilbert Keith-Agaran, Vice Chair Committee on Ways and Means

Thursday, February 20, 2020; 10:35 a.m. Conference Room 211

RE: <u>SB 2687 SD1 – Relating to Taxation – In Opposition</u>

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members of the committee:

Avis Budget appreciates this opportunity to offer testimony in opposition to SB 2687 SD1, which increases the amount of the rental motor vehicle surcharge tax from \$5.00 to \$8.00 for any county with a resident population of more than 125,000, but less than 195,000 and sets aside the revenue from the increased surcharge tax for capacity projects in that county.

Only last session, the legislature increased the amount of the rental motor vehicle surcharge tax from \$3.00 to \$5.00. Hawaii rental car customers currently pay the following charges – a rental motor vehicle customer facility charge of \$4.50 per day and a rental motor vehicle surcharge tax of \$5.00 per day which is applied to the state highway fund. The total surcharge amount before GET is among the highest in the country.

There is more competition in the market. Visitors and residents have more transportation options, including Uber and Lyft. While we believe there is a preference to rent a car for those visiting for a few days or more, if this passes, some may opt for other options.

For these reasons, we ask that the committee hold this measure. Thank you.



HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211 THURSDAY, FEBRUARY 20, 2020 AT 10:35 A.M.

To The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Committee on Ways and Means

TESTIMONY IN SUPPORT OF SB2687 RELATING TO TAXATION

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of SB2687.

The Maui Chamber of Commerce supports the bill to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 and sets aside revenue from the increased surcharge tax for capacity projects in that county. We realize that increases to visitor expenses can make Hawaii less attractive when competing against other destinations. However, we also realize that visitors use our highways as well. Our transportation infrastructure in Maui County, like the Honoapiilani Highway and Paia Bypass, need significant upgrades and this additional tax will make these upgrades possible.

Further, we support the changes to this bill to prioritize funds collected in Maui County for the Honoapiilani Highway realignment project. Given the resident population and businesses in West Maui, as well as the distance from the hospital, improving the Honoapiilani Highway is essential to our community as it is a critical access point.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

Pamela Jumpap

Pamela Tumpap President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.





DATE: February 19, 2020

Senator Donovan M. Dela Cruz
Chair, Committee on Ways and Means
Submitted Via Capitol Website

FROM: Matthew Tsujimura

RE: S.B. 2687, S.D.1 Relating to Taxation Hearing Date: Thursday, February 20, 2020 at 10:35am Conference Room: 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee on Ways and Means:

We submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise RideShare (Van Pool).

Enterprise **opposes** S.B. 2687, S.D.1, which increases the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000; sets aside the revenue from the increased surcharge tax for capacity projects in that county; and prioritizes use of the funds collected in the county of Maui for the Honoapillani highway realignment project.

While Enterprise appreciates the need for additional funding for road projects, we are concerned that increasing the surcharge tax for a second consecutive year will negatively impact the tourism industry. Last session, the Governor signed Act 174 into law which increased the rental motor vehicle surcharge tax from \$3 to \$5 a day. S.B. 2687, S.D.1 proposes to increase the tax another \$3. This would result in the tax nearly tripling in value over the last two years. Taxes and fees currently represent over 25% of the total charges of a rental transaction. This places a significant burden on not only visitors to Hawaii but also residents and local businesses specifically in the Medical, Construction, Government, and Military industries that travel inter-island. At the current rate of \$5 a day, the taxes and fees applied to the rental car industry in Hawaii are among the highest in the nation and any increase to the fee could cause customers to seek transportation solutions outside of the Rent-A-Car industry which are not currently subject to the Rental Motor Vehicle Surcharge.

The existing \$5 surcharge tax already goes into the highway fund for the purpose of highway projects, statewide. Enterprise supports the Department of Transportation's numerous capital projects throughout the state that have improved the safety and

functionality of Hawaii's highways. However, Enterprise is concerned that S.B. 2687, S.D.1 places too high a burden on the tourism industry.

If the committee is inclined to pass this measure, Enterprise requests that the committee exempt total loss, theft, and Commute rentals from the Rental Motor Vehicle Surcharge Tax. Currently, any person who rents a car due to their own vehicle being stolen or declared a total loss are subject to the surcharge while customers who rent a car due to their vehicle being repaired due to an accident are exempt. In addition, Commute rentals, which take vehicles off of the road due to individuals commuting to work together actually reduce wear and tear on our roads and should not be subject to the tax.

Thank you for the opportunity to submit testimony on this bill.





200 South High Street Wailuku, HI 96793 www.mauimpo.org

Date: February 19, 2020

To: Donovan M. Dela Cruz, Chair Gilbert S. C. Keith-Agaran, Vice Chair Members of the Senate Committee on Ways and Means

Re: Support for SB2687 SD1 Relating to Taxation

Hrg: February 20, 2020 at 10:35am at Conference Room 211

The Maui MPO Policy Board is in <u>support of SB2687 SD1</u> to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. The bill also sets aside the revenue from the increased surcharge tax for capacity projects in that county. With regards to the County of Maui, prioritizes funds collected pursuant to this Act to be used for the Honoapi'ilani highway realignment project. Effective date January 1, 2021.

In December 2019, Maui MPO Policy Board adopted the Hele Mai Maui 2040 Long Range Transportation Plan developed from previous plans and public input to create a list of priority projects to help achieve the island's vision for safety, resilience, and affordability. Hele Mai Maui 2040 demonstrated that there is an \$800 million funding gap over the next 20 years needed for transportation improvements.

Realignment of Honoapi'ilani Highway away from the shoreline is a critical project that would be advanced with revenues from an increase to the rental motor vehicle surcharge. Sea level rise and coastal erosion make the vulnerable stretch of highway near Ukumehame a top priority in the State system. Thousands of residents and visitors rely on this lifeline in and out of West Maui. Without funds to realign the road, more beaches and coral reef could be lost to coastal armoring. Safety concerns for wildlife, beachgoers and motorists will continue to increase unless the major highway is relocated inland, allowing for slower speeds and recreation along the shoreline.

With growing impacts of visitors to Maui's roadways, decision makers are tasked with difficult choices as they work to maintain quality of life for residents. Hele Mai Maui 2040 considered many funding options, and rental vehicle surcharge emerged as one of the most viable and preferable sources identified by State and County partners involved with the MPO.

Please support SB2687 SD1 to generate needed funds for transportation improvements.

SB-2687-SD-1

Submitted on: 2/19/2020 9:45:41 PM Testimony for WAM on 2/20/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lee Chamberlain	Testifying for Maui Bicycle League	Support	No

Comments:

To:Donovan M. Dela Cruz, Chair

Gilbert S.C. Keith-Agaran, Vice Chair

Members of the Senate Committee on Ways and Means

Re:Support for SB2687 SD1 Relating to Taxation

Hrg: February 20, 2020 at 10:35am at Conference Room 211

Thank you for the opportunity to testify in support of SB2687 SD1 to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. The bill also sets aside the revenue from the increased surcharge tax for capacity projects in that county. With regards to the County of Maui, prioritizes funds collected pursuant to this Act to be used for the Honoapi'ilani highway realignment project. Effective date January 1, 2021.

I think it appropriate to increase the rental motor vehicle charge from \$5 to \$8 as the rental car companys on Maui are major contributor to Global Warming and Climate change. Please review the following facts.

Carbon Emissions- Global Warming- Greenhouse Effect?

May 1st 2019, Mauna Loa reports highest levels of Carbon Dioxide in 800,000 years.

Hawaii breaks or ties dozens of heat records since mid-May

- 1. The largest source of greenhouse gas *emissions* from human activities in the *United States* is from *burning fossil fuels* for electricity, heat, and transportation.
- 2. Transportation (Cars, trucks, commercial aircraft, and railroads,) is the Top Source of CO2 Emissions in the U.S.

- 1. ConRAC -- Maui airport officials say an estimated 2,000 vehicles *rented* on *Maui each day*,... The fuel economy of new U.S. cars and trucks hit average 24.7 miles per gallon.
- 2. A gallon of gasoline weighs 6.3 pounds. When it is combusted, the carbon combines with oxygen and the weight of the CO2 emitted is 20 pounds.
- 3. Wondering how big 20 lbs of CO2 is? 20 lbs of CO2 would fill 1200 gallon jugs. If we had an image of this it would show a single gallon of gasoline on the left, a fire in the center and a stack of 1,200 gallon jugs filled with CO2 (an invisible gas) on the right.
- 4. The combustion of one gallon of gasoline generates about 1,200 gallons of CO2! The CO2 would fill a space that is about 5-1/2' by 5-1/2' by 5-1/2' or 165 cubic feet

Realignment of Honoapi'ilani Highway away from the shoreline is a critical project that is being necesitated from Global Warming and revenues from an increase to the rental motor vehicle surcharge is a viable source to fund such an endeavor . Sea level rise and coastal erosion make the vulnerable stretch of highway near Ukumehame a top priority in the State system. Thousands of residents and visitors rely on this lifeline in and out of West Maui. Without funds to realign the road, more beaches and coral reef could be lost to coastal armoring. Safety concerns for wildlife, beachgoers and motorists will continue to increase unless the major highway is relocated inland, allowing for slower speeds and recreation along the shoreline.

Please support SB2687.

<u>SB-2687-SD-1</u>

Submitted on: 2/19/2020 9:19:36 AM Testimony for WAM on 2/20/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Gaylene L Barron	Individual	Support	No

Comments:

Greetings!

I approve of this bill. It's important to look to the future and the rising numbers of visitors along with residents who rely on the roadways for their livelihoods and vacation destinations, and with climate change upon us all, is important to prepare the roadways for these sudden impacts. Our roadways on Maui need to align with the growth projections in population by this state. This tax is appropriate and the smart thing to do. Thank you for your consideration.

Sincerely,

Gaylene L Barron, Haiku, Maui



Submitted By	Organization	Testifier Position	Present at Hearing
Jonathan Starr	Individual	Support	No

Comments:

Dear Senators,

Please support SB2687, in order to to increase the amount of the rental motor vehicle surcharge tax from \$5 to \$8 for any county with a resident population of more than 125,000, but less than 195,000. The bill also sets aside the revenue from the increased surcharge tax for capacity projects in that county. With regards to the County of Maui, prioritizes funds collected pursuant to this Act to be used for the Honoapi'ilani highway realignment project.

In December 2019, Maui MPO Policy Board adopted the Hele Mai Maui 2040 Long Range Transportation Plan developed from previous plans and public input to create a list of priority projects to help achieve the island's vision for safety, resilience, and affordability. Hele Mai Maui 2040 demonstrated that there is an \$800 million funding gap over the next 20 years needed for transportation improvements.

Realignment of Honoapi'ilani Highway away from the shoreline is a critical project that would be advanced with revenues from an increase to the rental motor vehicle surcharge. Sea level rise and coastal erosion make the vulnerable stretch of highway near Ukumehame a top priority in the State system. Thousands of residents and visitors rely on this lifeline in and out of West Maui. Without funds to realign the road, more beaches and coral reef could be lost to coastal armoring. Safety concerns for wildlife, beachgoers and motorists will continue to increase unless the major highway is relocated inland, allowing for slower speeds and recreation along the shoreline.

With growing impacts of visitors to Maui's roadways, decision makers are tasked with difficult choices as they work to maintain quality of life for residents. Hele Mai Maui 2040 considered many funding options, and rental vehicle surcharge emerged as one of the most viable and preferable sources identified by State and County partners involved with the MPO.

Please support SB2687 SD1 to generate needed funds for transportation improvements.

Thanks You,

Jonathan Starr

<u>SB-2687-SD-1</u> Submitted on: 2/19/2020 1:09:43 PM Testimony for WAM on 2/20/2020 10:35:00 AM



Submitted By	Organization	Testifier Position	Present at Hearing
John NAYLOR	Individual	Support	No

Comments: