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DEPARTMENT OF TAXATION

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 276, Relating to Taxation

BEFORE THE:

House Committee on Economic Development

DATE: Wednesday, February 1, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 276 for your consideration.

H.B. 276 adds a new section to Chapter 235, Hawaii Revised Statutes, to create a refundable income tax credit for an undetermined dollar amount for each parking space that is within a parking lot on the commercial property owned by the taxpayer and that is solely designated for use by a peer-to-peer car-sharing platform. This measure is effective upon approval and applies to taxable years beginning after December 31, 2022.

First, the Department recommends making the tax credit nonrefundable, as refundable credits are more susceptible to fraud.

Second, in order to further deter abuse of this credit, the Department recommends imposing a limit on the number of parking spaces that may be claimed for the credit by a taxpayer during the taxable year, defining the terms "parking lot" and "parking space," and specifying the minimum time period during the taxable year that

the parking space needs to be available for use by peer-to-peer car-sharing platform in order to qualify for the credit.

Finally, the Department notes that due to the number of bills with law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session in time for tax year 2023. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

Thank you for the opportunity to provide comments on this measure.



Testimony of
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.

SUPPORTING HB276 FEBRUARY 1, 2023

Aloha e Chair Holt, Vice Chair Lamosao, and other Members of the House Committee on Economic Development,

On behalf of Turo, I respectfully offer the following written testimony in support of HB276, which establishes a tax credit for commercial property owners that make available parking spaces within the owners' parking lots for vehicles used for peer-to-peer car-sharing.

As a peer-to-peer car-sharing platform operating in Hawai'i, we recognize the benefit that peer-to-peer car sharing offers local residents to increase their financial standing by sharing their personal vehicles while also providing a new mobility option for individuals in need of an affordable transportation option. Additionally, peer-to-peer car sharing ensures better utilization of vehicles already on the road, in some cases eliminating the need for personal car ownership which can be replaced with sharing.

With that consideration, we are supportive of the tax incentives offered in HB276. These sorts of incentives support this new industry while helping to address any residential parking concerns that may stem from peer-to-peer car sharing, and also set up a transportation framework that encourages multi-modal forms of transportation, particularly those that can allow for lessening the number of cars on the road in the long term.

We extend a warm mahalo to the committee for its consideration of our testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

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SUBJECT: INCOME, Tax Credit for Parking Spaces for Peer-to-Peer Car Sharing Platforms

BILL NUMBER: HB 276, SB 1089

INTRODUCED BY: HB by KILA, CHUN, ICHIYAMA, KITAGAWA, PERRUSO, POEPOE;
SB by LEE, AQUINO, CHANG, Keith-Agaran

EXECUTIVE SUMMARY: Establishes a tax credit for commercial property owners that make available parking spaces within the owners' parking lots for use by peer-to-peer car-sharing platforms.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish the peer-to-peer car-sharing parking tax credit. The amount of the credit is \$___ for each parking space that is within a parking lot on the commercial property owned by the taxpayer and that is solely designated for use by a peer-to-peer car-sharing platform pursuant to a written agreement.

The proposed credit is refundable. It must be claimed on or before the end of the twelfth month following the taxable year for which the credit may be claimed.

Defines "peer-to-peer car sharing platform" by cross-reference to section 279L-1, HRS.

EFFECTIVE DATE: Taxable years beginning after December 31, 2022.

STAFF COMMENTS: The preamble to the bill recites that persons offering vehicles for rent through peer-to-peer car-sharing platforms have caused significant parking disruptions in many neighborhoods. To get the vehicles off the streets, the bill establishes a tax credit for the owners of commercial buildings who make parking spaces available to the platforms.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to give taxpayers money to do things that lawmakers want them to do for social policy reasons merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

The additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive compared to the amount that may be paid out in credits.

Furthermore, there is no guarantee that a given commercial establishment would be in a desirable enough location to draw shared cars even if space is set aside. For example, the credit would presumably be available to a big box store with lots of parking in a suburban or rural area that makes a few stalls available even though they might never be used. In that case, we taxpayers would be paying for the space but the expenditure would be meaningless.

Digested: 1/30/2023



DATE: January 31, 2023

TO: Representative Daniel Holt
Chair, Committee on Economic Development

FROM: Matt Tsujimura

RE: **H.B. 276, Relating to Taxation**
Hearing Date: Wednesday, February 1, 2023 at 10:00 a.m.
Conference Room 423

Dear Chair Holt, Vice Chair Lamosao, and Members of the Committee on Economic Development

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

Enterprise Holdings **opposes** H.B. 276, which would establish a tax credit for commercial property owners that make available parking spaces within the owners' parking lots for use by peer-to-peer car-sharing platforms.

The evolution of the rental car industry has created new and innovative ways to rent a car. Enterprise supports the evolution of the industry so long as everyone in the business of providing vehicles for rent to consumers have no unfair advantages over others.

Today, rental car companies must pay for commercial parking spaces at hotels, local Home City locations, and airports. Currently landlords who offer parking to rental car companies are not incentivized with an income tax credit to provide parking to rental car companies. To provide a tax credit only to P2P companies would, at best give P2P companies an advantage and at worst incentivize commercial property owners to prioritize and favor providing parking spaces to P2P over rental car companies.

For the above reasons, we respectfully oppose this measure and ask that it be held. Thank you for the opportunity to submit this testimony.



Written Testimony
House Committee on Economic Development

February 1, 2023

From

Adrienne Moretz, Manager, Government Partnerships, Getaround
Soledad Roybal, Regional Head of Public Policy, Getaround

Re: **Hawaii State House Bill 276**

Getaround supports **the proposed HB 276** and the goals of the state of Hawaii to increase equitable and sustainable transportation options for kamaaina, employees, and visitors. The bill provides economic opportunity to small businesses that offer parking and individuals who share their underutilized cars with the broader community while helping to reduce the number of vehicles utilizing on-street parking in residential areas. Finally, the bill encourages the broader distribution of carshare vehicles that better serve community members' transportation needs.

Getaround is a roundtrip carsharing company that connects safe, convenient, and affordable cars with people who need them to live and work. Founded in 2009, Getaround is active in over 1,000 cities worldwide. Getaround is free to join, there are no monthly fees, and it's completely contactless: our proprietary Getaround Connect® technology allows guests to book cars on-demand without standing in line or meeting in person to pick up keys. Offering a 100% digital experience, Getaround has operated in Hawaii since late 2021.

Getaround works to make carshare accessible to all residents of Hawaii. However, finding suitable locations to park shared vehicles in Hawaii is difficult. This forces many of our guests to travel far distances to use Getaround's affordable carsharing services.

Carsharing is good for communities and the environment. It helps reduce greenhouse gas emissions and boost economic activity that comes with improved mobility. Carsharing also supports efforts to reduce traffic congestion, lower greenhouse gas emissions, and increase equitable and sustainable transportation options for residents, employees, and visitors.

Carshare Users Reduce Greenhouse Gas Emissions, Among Many Environmental Benefits

Dr. Susan Shaheen, a civil and environmental engineering professor at the University of California-Berkeley, led a 2014 study of three U.S. carsharing operators, including Getaround, which found that 20% of all survey respondents reduced driving (i.e., VMT) due to carsharing. Also from Shaheen, "A number of academic and industry studies of shared mobility have





documented the impacts of carsharing.^{1 2 3 4 5} These studies collectively show the following common outcomes of carsharing: 1) sold vehicles or delayed or foregone vehicle purchases; 2) increased use of some alternative modes of transportation (e.g., walking, biking); 3) reduced vehicle miles traveled (VMT); 4) increased access and mobility for formerly carless households; 5) reduced fuel consumption and greenhouse gas emissions; and 6) greater environmental awareness.

Carshare Reduces VMT and Car Ownership

A user survey, in conjunction with San Francisco Municipal Transportation Agency on the impact of their on-street carshare parking program, showed one out of ten Getaround guests sold or donated a car since joining, and over nine out of ten Getaround guests report using their personal car or rideshare the same or less since joining.⁶ Another study also found that carsharing members (not specific to Getaround) reduced their average annual greenhouse gas emissions per household by 0.58 metric tons for the observed impact (based on vehicles sold) and 0.84 metric tons for the full impact (based on vehicles sold and postponed purchases combined)⁷. Fewer cars mean less pollution, less congestion, fewer accidents, and more available parking in Hawaii.

Getaround Has a Disproportionately Positive Effect on Lower-Income Consumers

According to a survey from the Bureau of Labor Statistics (BLS), transportation is Americans' second biggest expense after housing, costing roughly 10% of annual income on average, while lower-income households spend 30% (the average cost of new vehicle ownership annually is \$9,282). We believe Getaround's digital carsharing marketplace provides increased vehicle access to underrepresented and less fortunate socioeconomic populations. According to our data, 55% of the transactions on our platform have been made on a debit card by users with little or no credit as of June 30, 2022. In addition, as of December 31, 2021, 51% of hours booked have been in less affluent neighborhoods (which we define as neighborhoods having an average annual household income below \$70,000), and 34% of hours booked have been in low-density transportation deserts (which we define as neighborhoods with less than 10,000 people per square mile).

After studying Getaround data, an NYU Stern research report concluded that peer-to-peer marketplaces have a disproportionately positive effect on lower-income consumers by offering them access to economic opportunity and a higher standard of living.

¹ Martin, Elliot, and Susan Shaheen. 2016. Impacts of car2go on Vehicle Ownership, Modal Shift, Vehicle Miles Traveled, and Greenhouse Gas Emissions: An Analysis of Five North American Cities. Berkeley, CA: Transportation Sustainability Research Center.

² Martin, Elliot, and Susan Shaheen. 2011. "The Impact of Carsharing on Public Transit and Non-Motorized Travel: An Exploration of North American Carsharing Survey Data." *Energies* 4: 2094–2114.

³ Cervero, Robert. 2003. "City CarShare: First-Year Travel Demand Impacts." *Transportation Research Record* 1839: 159–166.

⁴ Cervero, Robert, Aaron Golub, and Brendan Nee. 2007. "City Carshare: Longer-Term Travel Demand and Car Ownership Impact." *Transportation Research Record* 1992: 70–80.

⁵ "The Impact of Carsharing on Public Transit and Non-Motorized Travel: An Exploration of North American Carsharing Survey Data." *Energies* 4: 2094–2114.

⁶ 2018 study of carshare users in San Francisco

⁷ Martin, Elliot and Susan Shaheen. 2011. "Greenhouse Gas Emission Impacts of Carsharing in North America."



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Carsharing is part of the solution to reduce vehicular congestion, VMT, and emissions and, therefore, should not be met with extra burdens that could limit accessibility for already financially burdened populations. Providing tax credits for businesses to offer free parking to carshare providers would contribute to individuals using more sustainable transportation modes. This bill would positively impact small businesses and community members who need services like carsharing to live and work.

Getaround looks forward to collaborating with the state of Hawaii to continue to provide an efficient, economically beneficial, and environmentally friendly alternative to personal car ownership to kamaaina.

