

JAN 21 2026

A BILL FOR AN ACT

RELATING TO THE MOTOR VEHICLE RENTAL INDUSTRY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Act 137, Session
2 Laws of Hawaii 2017 (Act 137), established vehicle license
3 recovery fees and authorized the lessors of rental vehicles to
4 pass these fees on to lessees. Vehicle license recovery fees
5 include motor vehicle weight taxes; fees connected with the
6 registration of specially constructed, reconstructed, or rebuilt
7 vehicles; special interest vehicles or imported vehicles;
8 license plate and emblem fees; inspection fees; highway
9 beautification fees; and any use tax. As indicated above,
10 vehicle license recovery fees often include a lessor's fixed,
11 one-time costs of doing business.

12 The legislature further finds that, prior to Act 137, the
13 car rental industry was only allowed to visibly pass on
14 recurring costs, such as general excise taxes, license and
15 registration fees, surcharge taxes, and rents and fees payable
16 to the department of transportation. Authorizing the passing on
17 of fixed, one-time business costs, such as license plate fees



1 and use taxes, represented a departure from prior statutory
2 policy, which authorized the visible passing on of only
3 recurring government fees and taxes.

4 The legislature recognizes that the establishment of
5 vehicle license recovery fees created an unfair method for
6 calculating the costs passed on to consumers. Prior to Act 137,
7 the law authorized the passing on of fees and taxes prorated at
8 1/365th of the annual fees and taxes actually paid on the
9 particular motor vehicle being rented. Thus, the lessee was
10 charged only the amount of fees and taxes directly attributable
11 to the lessee's use of the vehicle. Act 137 increased the
12 prorated rate to 1/292nd of vehicle license recovery fees,
13 resulting in overpayments by individual lessees.

14 The legislature also finds that vehicle license recovery
15 fees enable rental car companies to advertise low base rates but
16 subtly increase the actual per-day rental rate by greatly
17 increasing the applicable taxes and fees passed on to lessees,
18 which may be detrimental to Hawaii's tourism industry.

19 Accordingly, the purpose of this Act is to:

20 (1) Repeal vehicle license recovery fees;



(2) Reauthorize passing on to lessees only recurring costs attributable to certain governmental fees that were in effect prior to Act 137; and

(3) Reinstate the prorated amount of vehicle license and registration fees and weight taxes that may be passed on to lessees, that was in effect prior to Act 137.

SECTION 2. Section 437D-3, Hawaii Revised Statutes, is amended by deleting the definition of "vehicle license recovery fees".

~~["Vehicle license recovery fees" includes motor vehicle weight taxes under section 249-2; fees connected with the registration of specially constructed, reconstructed, or rebuilt vehicles, special interest vehicles, or imported vehicles as referenced in section 286-41(c); license plate and emblem fees under section 249-7(b); inspection fees as referenced in section 286-26; highway beautification fees as referenced in section 286-51(b)(1); and any use tax under chapter 238."]~~

SECTION 3. Section 437D-8.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Notwithstanding any law to the contrary, a lessor may visibly pass on to a lessee:



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- 1 (1) The general excise tax attributable to the
2 transaction;
- 3 (2) The vehicle [~~license recovery fees,~~] and registration
4 fee and weight taxes, prorated at [~~1/292nd~~] 1/365th of
5 the annual vehicle license [~~recovery fees~~] and
6 registration fee and weight taxes actually paid on the
7 particular vehicle being rented for each full or
8 partial twenty-four-hour rental day that the vehicle
9 is rented; provided that the total of all vehicle
10 license [~~recovery~~] and registration fees charged to
11 all lessees shall not exceed the annual vehicle
12 license [~~recovery fees~~] and registration fee actually
13 paid for the particular vehicle rented;
- 14 (3) The surcharge taxes imposed in chapter 251
15 attributable to the transaction;
- 16 (4) The county surcharge on state tax under section
17 46-16.8; provided that the lessor itemizes the tax for
18 the lessee; and
- 19 (5) The rents or fees paid to the department of
20 transportation under concession contracts negotiated
21 pursuant to chapter 102, service permits granted



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1 pursuant to title 19, Hawaii Administrative Rules, or
2 rental motor vehicle customer facility charges
3 established pursuant to section 261-7; provided that:

4 (A) The rents or fees are limited to amounts that can
5 be attributed to the proceeds of the particular
6 transaction;

7 (B) The rents or fees shall not exceed the lessor's
8 net payments to the department of transportation
9 made under concession contract or service permit;

10 (C) The lessor submits to the department of
11 transportation and the department of commerce and
12 consumer affairs a statement, verified by a
13 certified public accountant as correct, that
14 reports the amounts of the rents or fees paid to
15 the department of transportation pursuant to the
16 applicable concession contract or service permit:

17 (i) For all airport locations; and

18 (ii) For each airport location;

19 (D) The lessor submits to the department of
20 transportation and the department of commerce and
21 consumer affairs a statement, verified by a



certified public accountant as correct, that
reports the amounts charged to lessees:

- (i) For all airport locations;
- (ii) For each airport location; and
- (iii) For each lessee;

(E) The lessor includes in these reports the
methodology used to determine the amount of fees
charged to each lessee; and

(F) The lessor submits the above information to the
department of transportation and the department
of commerce and consumer affairs within three
months of the end of the preceding annual
accounting period or contract year as determined
by the applicable concession agreement or service
permit.

The respective departments, in their sole discretion,
may extend the time to submit the statement required
in this subsection. If the director determines that
an examination of the lessor's information is
inappropriate under this subsection and the lessor
fails to correct the matter within ninety days, the



1 director may conduct an examination and charge a
2 lessor an examination fee based upon the cost per hour
3 per examiner for evaluating, investigating, and
4 verifying compliance with this subsection, as well as
5 additional amounts for travel, per diem, mileage, and
6 other reasonable expenses incurred in connection with
7 the examination, which shall relate solely to the
8 requirements of this subsection, and which shall be
9 billed by the departments as soon as feasible after
10 the close of the examination. The cost per hour shall
11 be \$40 or as may be established by rules adopted by
12 the director. The lessor shall pay the amounts billed
13 within thirty days following the billing. All moneys
14 collected by the director shall be credited to the
15 compliance resolution fund."

16 SECTION 4. Act 137, Session Laws of Hawaii 2017, is
17 amended by amending section 5 to read as follows:

18 "SECTION 5. ~~[Beginning March 1, 2019, all rental car~~
19 ~~companies shall submit an annual audit, to be conducted by a~~
20 ~~third party certified public accountant, to the office of~~



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~~consumer protection of the department of commerce and consumer
affairs by July 1 of every year.] Repealed."~~

SECTION 5. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect on January 1, 2051;
provided that the amendments made to section 437D-8.4(a), Hawaii
Revised Statutes, by section 3 of this Act shall not be repealed
when that section is reenacted on December 31, 2030, pursuant to
section 9 of Act 247, Session Laws of Hawaii 2005, as amended by
section 7 of Act 240, Session Laws of Hawaii 2015, as amended by
section 6 of Act 1, Special Session Laws of Hawaii 2017.

INTRODUCED BY: 



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Report Title:

Motor Vehicle Rental Industry; Vehicle License Recovery Fees;
Rental Car Companies; Annual Audit; Repeal

Description:

Repeals vehicle license recovery fees. Reinstates certain costs of fees and taxes that may be passed on to lessees. Effective 1/1/2051.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

