

Honolulu, Hawaii

FEB 12, 2026

RE: H.B. No. 2575
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Transportation, to which was referred H.B. No. 2575 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Apply the retail or higher general excise tax or use rate tax rate to purchases or imports of new motor vehicles by rental car companies; and
- (2) Appropriate funds for a tax inspector position in the Department of Taxation.

Your Committee received testimony in support of this measure from the General Contractors Association of Hawaii and Chamber of Progress. Your Committee received testimony in opposition to this measure from the Hertz Corporation; Enterprise Mobility; Avis Budget Car Rental, LLC; and Servco Pacific Inc. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the State is facing a potential financial crisis due to federal policies related to tariffs and entitlement programs. The University of Hawaii Economic Research



Organization has projected a mild recession in 2026, indicating a likely decline in state revenues.

Your Committee further finds that rental car companies pay 0.5 percent in general excise tax on fleet vehicle purchases in Hawaii under the classification of a "sale for resale". This classification is inappropriate as rental car companies do not act as wholesalers in the manner that wholesalers transfer ownership and possession upon sale; rather, rental car companies retain the title and ownership while generating revenue through the temporary rental of those assets.

And unlike construction equipment lessors or farm equipment companies, rental car companies are in the business of rapid asset depreciation. Their model relies on a cycle of high-volume usage and rapid disposal where fleets are put through accelerated wear and tear that causes the assets to depreciate quickly. Rental car companies then take the value of the vehicle depreciation and turn it into "full expensing", effectively using the depreciation to wipe out the taxes that would normally be paid on the profits from the rental itself. As such, it is no longer appropriate for rental car companies to enjoy the lower tax rate.

Your Committee further finds that other states - Georgia, Maryland, North Dakota, and Oregon - have also repealed or narrowed their rental car tax exemptions. This measure will provide one mechanism for raising additional revenue to assist the State in addressing the forthcoming financial uncertainty.

Lastly, your Committee notes that the Department of Taxation requested that the effective date of this measure be January 1, 2027, to provide the Department with sufficient time for form and instruction changes and to provide notice to taxpayers.

Your Committee has amended this measure by:

- (1) Changing the appropriation to an unspecified amount;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



Your Committee respectfully requests that the Department of Taxation prepare projected costs, including any necessary staffing positions, and provide those figures to the Committee on Finance, if it deliberates on this measure. Additionally, your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider an appropriation amount of \$76,716.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2575, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2575, H.D. 1, and be referred to your Committee on Economic Development & Technology.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,



DARIUS KILA, Chair



State of Hawaii
House of Representatives
The Thirty-third Legislature

HSCR 215-26

Record of Votes of the Committee on Transportation

Bill/Resolution No.:	Committee Referral:	Date:		
HB 2575	TRN, ECD, FIN	2/10/26		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. KILA, Darius K. (C)	✓			
2. MIYAKE, Tyson K. (VC)	✓			
3. COCHRAN, Elle		✓		
4. EVSLIN, Luke A.	✓			
5. GRANDINETTI, Tina Nakada	✓			
6. KITAGAWA, Lisa	✓			
7. LA CHICA, Trish	✓			
8. MURAOKA, Christopher L.			✓	
9. PIERICK, Elijah			✓	
TOTAL (9)	4	1	2	0
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <u>Tyson Miyake</u>				
Distribution: Original (White) – Committee		Duplicate (Yellow) – Chief Clerk's Office		Duplicate (Pink) – HMSO