

Honolulu, Hawaii

FEB 12 2026

RE: H.B. No. 1937
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. 1937 entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Exclude the sale of a motor vehicle to a lessor of rental motor vehicles for use as a rental motor vehicle as a sale at wholesale;
- (2) Impose the maximum allowable excise tax on the use of tangible personal property in the State for the importation or purchase of a motor vehicle by a lessor of rental motor vehicles for use as a rental motor vehicle;
- (3) Establish a Teacher Temporary Hazard Pay Special Fund to pay a temporary hazard pay bonus to certain eligible teachers; and
- (4) Beginning July 1, 2026, through July 1, 2030, deposit the additional tax revenue generated by additional excise tax into the Teacher Temporary Hazard Pay Special Fund.



Your Committee received testimony in support of this measure from the Office of the Governor; Department of Education; Hawai'i State Teachers Association; Democratic Party of Hawai'i Education Caucus; Chamber of Progress; and numerous individuals. Your Committee received testimony in opposition to this measure from the Hertz Corporation; Enterprise Mobility; United Public Workers, AFSCME Local 646, AFL-CIO; Avis Budget Car Rental, LLC; and Servco Pacific Inc. Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that public school teachers provided essential in-person instruction and student support during a period of unprecedented public health risk, yet no dedicated funding source currently exists to compensate them for their service. At the same time, existing tax treatment for rental motor vehicle purchases excludes transactions that would otherwise generate significant state revenue. This measure restructures the tax treatment of motor vehicles purchased for rental fleets by removing wholesale exemptions and applying the full use tax, thereby capturing revenue that more accurately reflects the commercial nature of these transactions. This additional revenue would then be directed, on a temporary basis, to provide hazard pay bonuses to eligible teachers, delivering overdue support to frontline educators.

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 the Department of Taxation's concerns regarding the administrative difficulties to reconcile the amounts reported from the additional tax imposed with actual amounts collected and their request 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) Amending the preamble;



- (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 your Committee on Education, should it deliberate on this measure, to consider further clarification regarding eligibility criteria for the temporary hazard pay bonus, specifically whether a qualifying state officer or employee must have been continuously employed during the time period specified in the measure, or whether employment for any duration within that time period would suffice.

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. 1937, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1937, H.D. 1, and be referred to your Committee on Education.

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



DARIUS KILA, Chair



