

Honolulu, Hawaii

FEB 20, 2026

RE: H.B. No. 2586
H.D. 2

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

Madame:

Your Committee on Judiciary & Hawaiian Affairs, to which was referred H.B. No. 2586, H.D. 1, 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;
- (2) Appropriate funds for a tax inspector position in the Department of Taxation; and
- (3) Appropriate funds to the Department of Hawaiian Home Lands to address the beneficiary waitlist.

Your Committee received testimony in support of this measure from the Department of Hawaiian Home Lands; Office of Hawaiian Affairs; one member of the Kaua'i County Council; Chamber of Progress; Ka Lāhui Hawai'i; Hawaiian Council; and three individuals. Your Committee received testimony in opposition to this measure from Hertz Corporation; Servco; Avis Budget Car Rental, LLC; Pasha Hawaii; Enterprise Mobility; and one individual. Your Committee received comments on this measure from



the Department of Taxation; Department of the Attorney General; and Tax Foundation of Hawaii.

Your Committee finds that gaps in the State's tax structure allow certain rental motor vehicle transactions and out-of-state government contracting activities to escape equitable general excise and use tax treatment, resulting in lost revenue and inconsistent compliance. Your Committee further finds that applying the appropriate retail tax rate to rental motor vehicle acquisitions and strengthening enforcement capacity for out-of-state contractors will improve tax fairness, protect state revenues, and promote lawful competition.

Your Committee has amended this measure by:

- (1) Establishing a Hawaiian Home Lands Special Fund to receive the increased revenues generated from the general excise or use tax by this measure to be used to address the beneficiary waiting list;
- (2) Replacing the general fund appropriation to the Department of Hawaiian Home Lands with an appropriation out of the Hawaiian Home Lands Special Fund; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider:

- (1) Issues raised by the Department of the Attorney General in their written testimony regarding the measure's title;
- (2) Addressing concerns that were raised in testimony that the tax policy proposals in this measure are inconsistent with the State's policy to prevent tax pyramiding; and
- (3) The impact on tax revenues collected by the State.

As affirmed by the record of votes of the members of your Committee on Judiciary & Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of



H.B. No. 2586, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 2586, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary &
Hawaiian Affairs,



DAVID A. TARNAS, Chair



