

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

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**GARY S. SUGANUMA**  
DIRECTOR

**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 2575, H.D.1, Relating to Taxation

**BEFORE THE:**

House Committee on Economic Development & Technology

**DATE:** Wednesday, February 18, 2026

**TIME:** 9:30 a.m.

**LOCATION:** State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2575, H.D.1, for your consideration.

H.B. 2575, H.D.1, makes amendments to section 237-1, Hawaii Revised Statutes (HRS), primarily to impose the retail general excise tax (GET) rate on purchases or imports of new motor vehicles by rental car companies. Section 2 of the bill adds two new definitions for this purpose as follows:

- “Lessor of rental motor vehicles” has the same meaning as “lessor” as defined in section 251-1; and
- “Rental motor vehicle” has the same meaning as in section 251-1.

Section 3 of the bill amends section 237-4(a), HRS, which defines sales at wholesale, by modifying section 237-4(a)(1), HRS, to state that sales to a licensed retail merchant, jobber, or other licensed seller for purposes of resale, “does not include the sale of a motor vehicle to a lessor of rental motor vehicles for use as a rental motor vehicle.”

Section 237-4(a)(9), HRS, is also modified to state that for sales to a licensed leasing company of capital goods that have a depreciable life that are purchased by the leasing company for lease to its customers and are thereafter leased as a service to others, sales at wholesale do not include “the sale of a motor vehicle to a lessor of rental motor vehicles for use as a rental motor vehicle.”

Section 4 of H.B. 2575, H.D. 1, amends section 238-1, HRS, by adding the same definitions of “Lessor of rental motor vehicles” and “rental motor vehicle” as noted above under Section 2 of the bill.

Section 5 of the bill amends section 238-2(2)(A), HRS, which lists transactions subject to use tax at the 0.5 percent rate, by adding language that retailers or other persons importing or purchasing for purposes of sale or resale “does not include the importing or purchasing of a motor vehicle by a lessor of rental motor vehicles for use as a rental motor vehicle.”

These amendments effectively result in the imposition of the 4.0% retail GET and use tax rate (plus applicable 0.5% county GET rate) on lessors importing or purchasing motor vehicles into Hawai'i for use as a rental motor vehicle.

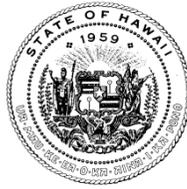
Section 6 of the bill appropriates an unspecified amount from the general revenues of the State to fund for fiscal year 2026 to 2027, a full-time equivalent tax inspector position within DOTAX whose responsibilities will be to identify, monitor, and collect the general excise tax from contractors awarded federal contractors for work performed in Hawaii.

The measure has a defective effective date of July 1, 3000.

DOTAX requests that the amendments in Sections 2 through 5 of the bill be made effective on January 1, 2027, to allow time for form, instruction, and system changes, as well as informing taxpayers of the changes.

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

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I**  
**DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

Wednesday, February 18, 2026  
9:30 a.m.  
State Capitol, 423

**HB2575, HD1**  
**RELATING TO TAXATION**

House Committee on Economic Development & Technology

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The Department of Transportation (DOT) opposes HB2575, HD 1.

HB2575, HD1 would apply the retail or higher general excise tax (GET) or use tax rate to the purchase or import of new motor vehicles by lessors of rental motor vehicles. While the measure is intended to increase state revenues, it effectively changes the long-standing tax treatment of rental car fleet acquisitions and imposes a significant additional cost on the industry. Rental car companies routinely cycle and replace large vehicle fleets to meet visitor demand and maintain safety and reliability standards. Increasing the upfront tax burden on fleet purchases will ultimately be passed through to consumers, including residents who rely on rental vehicles for interisland travel and temporary transportation needs.

The State has historically imposed fees and surcharges on rental motor vehicles where there is a clear nexus to transportation infrastructure and system impacts, such as airport consolidated rental car (CONRAC) facilities and highway capacity improvements. Those charges were carefully calibrated to address transportation-related needs. Reclassifying fleet purchases to the retail tax rate represents a fundamental shift in tax policy that is not directly tied to specific transportation infrastructure impacts and may undermine the stability and predictability of the existing rental motor vehicle revenue framework.

Additionally, while the bill appropriates funds for a tax inspector position within the Department of Taxation to improve compliance related to federal contractors, the rental motor vehicle tax provisions are unrelated to that enforcement objective and may create unintended consequences for the visitor industry and broader transportation system.

For these reasons, the DOT respectfully opposes HB2575, HD 1.

Thank you for the opportunity to testify.



February 18, 2026

Chair Ilagan & Committee Members  
House Committee on Economic Development  
State House of Representatives

**Hearing: Wednesday, February 18, 2026, 9:30 am, Room 423**

**HB2575, HD1 RELATING TO TAXATION – IN OPPOSITION**

The Hertz Corporation is one of the world’s largest mobility companies and operates the Hertz, Dollar, and Thrifty vehicle rental brands throughout Hawai‘i. For more than a century, Hertz has offered innovative, differentiated rental products including creating economic opportunities by renting vehicles to rideshare drivers through dedicated partnerships with Uber and Lyft. Hertz also sells vehicles to consumers at Hertz Car Sales locations throughout the United States making well-maintained, safe and affordable used vehicles available to consumers.

Hertz is opposed to HB2575, HD1 which would apply the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies.

**Adverse Impact on Consumers and Residents.** Increased taxes will be passed on to the consumer in the form of higher rates, adversely impacting price-sensitive visitors who have many options to travel to other destinations throughout the globe. HB2575, HD1 will also harm Hawaii residents who rent cars to/from Oahu and throughout neighbor islands; local rideshare drivers who rent cars for income; and citizens who need rental cars for insurance replacement when their vehicles are being repaired.

**Double Taxation of Rental Cars.** Imposing a new and/or higher tax rate on vehicles purchased and placed into service exclusively for short-term motor vehicle rental by rent-a-car (RAC) operators violates long-standing economic and tax policy by taxing wholesale inputs while also taxing consumers at the retail level. Taxes are collected at the point of consumption when consumers rent our vehicles and thus, the state is getting significant tax revenue from the renting of vehicles by both out of state visitors and Hawai‘i residents. A new and/or higher tax rate would in essence tax rental cars twice.

**Singles-out Only Rental Cars.** Additionally, HB2575, HD1 singles-out one specific economic activity to be taxed – rental motor vehicles. The Hawai‘i Tax Review Commission has been guided by its long-standing principles of equity, efficiency and adequacy. The Commission explains that “equity” is a measurement of how tax burdens are distributed. The Hawai‘i State Legislature also enacted standards of review for the Commission in its evaluation of tax laws. Haw. Rev. Stat. §232E-3 states that the [Tax Review] commission shall conduct a systematic review of the State's tax structure, using such standards as *equity and efficiency*. Emphasis added

**Tax Principles of Equity Violated.** The Tax Review Commission’s principles of equity are violated since only the rental car industry is proposed to be taxed. Rental cars are a narrow component of “capital goods” that are small sub-category of the wholesale tax exemption. Other capital goods include construction equipment e.g., bulldozers, excavators, tower cranes, and concrete mixers used on job sites, and agricultural machinery e.g., tractors and harvesters leased for crop development purposes. Except for rental motor vehicles, construction, agricultural and all other capital goods remain untouched in the proposed legislation.

**Lack of Data & Information on Fiscal Impact.** HB2575, HD1 proposes modifications to or impose new obligations related to rental car taxation, yet the Legislature has not been provided with sufficient data or information regarding the fiscal impact of rental car tax revenues. There is no comprehensive analysis of current rental car tax revenue streams, how the proposed legislation would alter those revenues, or what the downstream economic consequences might be for the rental car industry, tourism, or related sectors of Hawaii's economy. The absence of this critical information prevents the Legislature from accurately assessing whether these bills will achieve their stated objectives, whether the projected revenues justify the administrative and compliance burdens imposed, or whether alternative approaches might better serve the State's interests.

We respectfully oppose HB2575, HD1 and urge the legislature to focus on pro-growth policies that support and enhance the state economy, rather than singling out one industry for a discriminatory tax. Hertz, along with our fellow car rental operators, would welcome the opportunity to speak with you to share our perspective on this important topic. Thank you for the opportunity to provide a comment on this matter.

Sincerely,

/s/ Seward Akahi

Seward Akahi  
General Manager, Hawai'i  
sakahi@hertz.com



February 18, 2026

TO: HONORABLE GREGGOR ILAGAN, CHAIR, HONORABLE IKAIKA HUSSEY, VICE CHAIR, COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY.

SUBJECT: **SUPPORT OF H.B. 2575 HD1, RELATING TO TAXATION.** Applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies. Appropriates funds for a position in the Department of Taxation.

HEARING

DATE: Wednesday, February 18, 2026  
TIME: 9:30 a.m.  
PLACE: Capitol Room 423

Dear Chair Ilagan, Vice Chair Hussey and Members of the Committees,

The General Contractors Association of Hawaii (GCA) is an organization comprised of approximately five hundred (500) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. Our mission is to elevate Hawaii's construction industry and strengthen the foundation of our community.

GCA **Supports** on H.B. 2575 HD1, which applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies. Appropriates funds for a position in the Department of Taxation.

Local contractors who bid on federal work must factor in the State GET in their proposals. The law requires that anyone who conducts business in this State must pay the GET. However, the GCA is aware that there are occasions when out of state contractors are awarded federal contracts and do not pay the State GET. This not only gives the out of state contractor an advantage in their bid, but it is extremely detrimental to the State.

Not only is the State missing out on collecting the GET, but the profits are taken out of State. The out of state contractor could potentially be using out of state labor as well, which has a multiplier effect of reducing income tax collected in the State.

A position in the Department of Taxation to help facilitate the collection of the GET from those contractors who are awarded federal contracts, and who are not registered to do business in the state, could bring in millions of dollars annually for the State.



The GCA examined contracts awarded in the first six months of 2021 and found that 16 of the 46 contracts awarded (35%) were awarded to businesses who were not registered to do business in the state. Those contracts totaled \$55,000,000. The GCA is under the belief that if a business is not registered to do business here, then they are probably not paying the State GET.

Thank you for the opportunity to provide testimony in support of this measure.



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Representative Greggor Ilagan, Chair  
Representative Ikaika Hussey, Vice Chair  
Committee on Economic Development & Technology

Wednesday, February 18, 2026; 9:30 a.m.  
Conference room 423

**RE: HB 2575 HD1 – Relating to Taxation – In Opposition**

Aloha Chair Ilagan, Vice Chair Hussey and members of the committee:

Servco appreciates this opportunity to respectfully **oppose** HB 2575 HD1, which applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies, and appropriates funds for a position in the Department of Taxation.

HB 2575 HD1 would cause the sales of vehicles to rental car and car sharing agencies to be subject to tax at the full retail GET rate instead of the 0.5% wholesale rate. This would be detrimental to rental car and car sharing agencies that are already operating on thin margins and would inevitably result in increased rental rates to customers. This would also result in pyramiding of retail GET, in that retail GET would be charged on the sale of the vehicle to the agency and then again on the rental of the vehicle to customers. The same concept would apply to use tax on vehicles imported into the state, in that rental car and car sharing agencies would have to pay use tax at the full retail GET rate instead of the 0.5% wholesale rate.

For these reasons, we ask that you hold this bill.

Peter Dames  
President & CEO

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Apply Retail Rate to Rental Motor Vehicles

BILL NUMBER: HB 2575 HD1

INTRODUCED BY: TRN

EXECUTIVE SUMMARY: Applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies. Appropriates funds for a position in the Department of Taxation.

SYNOPSIS: Amends sections 237-1 and 238-1, HRS, to import the definitions of “lessor [of rental motor vehicles]” and “rental motor vehicle” from chapter 251, the Rental Motor Vehicle and Tour Vehicle Surcharge Tax.

Amends section 237-4(a)(1) and (9), HRS, to state that wholesaling (*i.e.*, transactions for which the 0.5% rate is allowed) do not include the sale of a motor vehicle to a lessor of rental motor vehicles for use as a rental motor vehicle.

Amends section 238-2(2)(A), HRS, to state that importing for purposes of resale at retail (for which the 0.5% tax rate applies) does not include the importing or purchasing of a motor vehicle by a lessor of rental motor vehicles for use as a rental motor vehicle.

Section 6 of the measure appropriates an unspecified sum of \$\_\_\_\_\_ for fiscal year 2026-2027 for one full-time equivalent tax inspector position within the department of taxation to identify, monitor, and collect the general excise tax from contractors awarded federal contracts for work performed in the State.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: The bill proposes to create disparities in the general excise tax law. A lessor who buys tangible personal property and leases it (heavy machinery, farm vehicles, construction equipment, for example) is allowed to buy it in a 0.5% transaction, but car rental companies must pay 4.5%.

The House Transportation Committee report offers the following rationale for treating car rental companies differently from companies importing and leasing heavy machinery, farm vehicles, construction equipment, or anything else:

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.

This rationale, expressed in testimony from the Chamber of Progress, appears flawed.

First, the wholesale rate on leased assets does not spring from section 237-4(a)(1), HRS, which allows the GET wholesale rate on sales for resale, but from section 237-4(a)(9), HRS, which explicitly allows the wholesale rate for sales "to a licensed leasing company of capital goods that have a depreciable life, are purchased by the leasing company for lease to its customers, and are thereafter leased as a service to others." The latter paragraph was added by Act 204, SLH 1971, and was held to apply to car rental companies in *In re 711 Motors, Inc.*, 56 Haw. 644, 547 P.2d 1343 (1976). The rationale for this 50-year-old law was explained thus:

The purpose of Section 2 of the bill, as amended, is to add a new definition to what sales are sales at wholesale. This new definition will include as a wholesale sale one in which there is a sale to a licensed leasing company which leases capital goods as a service to others. Capital goods are defined as ones which have a depreciable life of more than three years. Your committee finds that in the leasing field the general excise tax has a pyramiding effect which increases taxes on the leased article to twelve per cent. There is a four per cent general excise tax on the sale to the lessor, a four per cent general excise tax on the leasing of the article, and a four per cent or one-half of one per cent general excise tax on the final sale of the article by the lessor, depending on to whom it is sold. The purpose of this section is to change the rate of taxation on the sale to the lessor to one-half of one per cent providing some tax relief for the lessor. The wholesale sale provisions have been limited to leased capital goods with depreciable life of more than three years in order not to include smaller household items which are sometimes leased.

Sen. Stand. Comm. Rep. No. 568 (Ways & Means Comm. 1971).

Second, the argument about depreciation wiping out any taxation from profit paid on the rental does not make sense in the context of GET, which is the tax type involved in this bill. GET does not allow any depreciation as a deduction. And even in the net income tax context where depreciation is allowed, under IRS Publication 946 (2024), a rental car is in asset class 00.22, 5-year property under MACRS. Trucks, vans, and buses (asset classes 00.23, 00.241 and 00.242), are likewise 5-year property under MACRS. Farm machinery and equipment (asset class 01.1

placed in service after 2017) is also classified as 5-year property. Construction equipment (asset class 15.0) is 5-year property as well. There is no difference in income tax treatment.

For these reasons, we do not agree that rental car companies are fundamentally different from other beneficiaries of the wholesale GET rate in section 237-4(a)(9), HRS.

If the idea is to raise money by imposing additional burdens on rental motor vehicles and tour vehicles, that could be accomplished by amending chapter 251, the Rental Motor Vehicle and Tour Vehicle Surcharge Tax, as opposed to mucking up the General Excise Tax Law.

Digested: 2/16/2026



**Robert Muhs, Esq.**

Vice President, Government Affairs  
& Counsel

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Representative Greggor Ilagan, Chair  
Representative Ikaika Hussey, Vice Chair  
Committee on Economic Development & Technology

Wednesday, February 18, 2026; 9:30 a.m.  
Conference room 423

**RE: HB 2575 HD1 – Relating to Taxation – In Opposition**

Aloha Chair Ilagan, Vice Chair Hussey and members of the committee:

My name is Robert Muhs, Vice President, Government Affairs and Counsel for Avis Budget Car Rental, LLC (“ABCR”). We appreciate this opportunity to respectfully oppose HB 2575 HD1, which applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies, and appropriates funds for a position in the Department of Taxation.

Based on Hawaii tax law and regulations, there is a distinct, legislatively supported framework that allows rental car companies to treat fleet acquisitions as wholesale transactions while maintaining the imposition of the GET on the subsequent retail rental receipts. Following a 1971 Hawaii Supreme Court decision, the Legislature amended HRS §237-4 to expressly include sales of capital goods to licensed leasing companies for lease as wholesale transactions. Subsequent Hawaii case law confirmed that rental vehicles qualify as capital goods and that rental contracts are true leases, reinforcing the statutory basis for wholesale treatment at acquisition while preserving retail GET on rental receipts. Additionally, this bill has the potential for double taxation.

Increasing the tax burden as contemplated in this bill will drive the price of rentals up, causing residents, local businesses and visitors to potentially seek other modes of transportation, and could result in less vehicles purchased, location closures and reduction in work force.

Finally, HB 2575 HD1 is discriminately targeted at one industry, which raises fairness and equity concerns.

For the above reasons, we urge the committee to defer HB 2575 HD1. Thank you for the opportunity to express our concerns.



## PASHA HAWAII

TOPA FINANCIAL CENTER / FORT STREET TOWER  
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WORLDWIDE  
INTEGRATED  
TRANSPORTATION  
& LOGISTICS  
SERVICES

Hearing date: Wednesday, February 18, 2026

Time: 9:30am

Location: State Capitol, Room 423

Re: Strong Opposition to HB 2575, HD1, Relating to Taxation

Dear Chair Ilagan, Vice Chair Hussey and Members of the Committee on Economic Development and Technology,

On behalf of Pasha Hawaii, I write in strong opposition to HB 2575, HD1, Relating to Taxation.

This measure applies the retail general excise or use tax rate to every new vehicle purchased or imported by rental car companies, dramatically increasing the cost of maintaining and replacing rental fleets. By layering additional taxes onto a single industry, the bill raises operating costs that will ultimately create a ripple effect on the businesses that support rental motor vehicle companies.

Rental car fleets contribute to the broader flow of goods and economic activity across the islands. When rental motor vehicles are replaced regularly, many of those used cars are sold locally, generating additional tax revenue and helping maintain a healthy supply of used vehicles for sale by local residents. Vehicles that are not sold in-state are shipped out, supporting steady cargo volumes and creating additional taxable business activity for the maritime sector.

The rental motor vehicle industry is an essential part of Hawai'i's transportation and maritime ecosystem. If fleet replacement slows because acquisition costs rise, that reduction will ripple through the supply chain. Fewer vehicles moving in and out of the state means less cargo, fewer related services, and reduced economic activity for the downstream businesses that support this movement. For these reasons, we ask you to hold this bill.

Sincerely,

Reggie Maldonado

General Manager



February 18, 2026

The Honorable Greggor Ilagan  
Chair  
House Committee on Economic  
Development & Technology  
Room 419, Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

The Honorable Ikaika Hussey  
Vice Chair  
House Committee on Economic  
Development & Technology  
Room 320, Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

**RE: Support HB 2575 -- "Relating to Taxation"**

Dear Chair Ilagan, Vice Chair Hussey, and members of the Committee:

On behalf of Chamber of Progress, a tech industry coalition promoting technology's progressive future, **I respectfully urge you to support HB 2575**, which would close the rental car industry's general excise tax loophole by reclassifying fleet vehicle purchases from the wholesale rate to the standard retail rate. This reform enhances tax fairness, promotes competition, and ends a carveout that overwhelmingly benefits a handful of large rental car companies. According to estimates from the Department of Taxation, it could also **generate about \$150 million in revenue** over the next six years for Hawai'i.

**HB 2575 would restore the standard general excise tax treatment for rental car fleet purchases**

Rental car companies – a highly profitable, multi-billion-dollar industry – currently pay just 0.5% in general excise tax on fleet vehicle purchases in Hawai'i under the classification of a "sale for resale." This classification is fundamentally flawed. Traditional wholesalers sell goods directly to retailers or customers, transferring both ownership and possession. Rental car companies, by contrast, retain the title and permanent ownership of their vehicles, generating revenue by temporarily renting them to consumers. These vehicles are not inventory in any traditional sense – they are revenue-generating assets.

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: by renting vehicles to a constant stream of tourists, these companies put their fleets through accelerated wear and tear, causing the

assets to depreciate quickly. Rental car companies then take the value of this 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.

HB 2575 corrects this by clarifying that the sale of a motor vehicle to a lessor of rental motor vehicles does not qualify as a "sale for purposes of resale" or for preferential leasing exemptions. This would require rental car companies to pay the same 4.5% combined GET rate (4% state rate plus 0.5% county surcharge) that applies to other retail transactions, the same rate that individual consumers already pay on their vehicle purchases.

### **Hawai'i has an opportunity to bridge growing revenue gaps without burdening families**

Hawai'i faces a projected mild recession in 2026, driven in part by the Trump administration's tariffs, which are expected to raise annual costs for a typical Hawai'i household by approximately \$1,400 and reduce visitor spending by an estimated \$1.6 billion.<sup>1</sup> At the same time, the federal government has withdrawn over \$3 billion from the state's economy through funding cuts, forcing the Governor to propose tax cut freezes and leaner budgets to maintain critical public services.<sup>2</sup>

Closing the rental car tax loophole is a responsible way to generate consistent revenue without increasing the burden on working families. Rental car companies currently pay an estimated \$2.2 million in GET at the discounted 0.5% wholesale rate on fleet vehicle purchases in Hawai'i. Reclassifying those purchases at the standard 4.5% retail rate could, according to estimates from the Department of Taxation, **generate about \$150 million in revenue over six years** for the state, a meaningful sum at a time when every dollar counts. The funds recovered from closing this exemption could be reinvested to address pressing budget priorities.

### **Hawai'i can follow other states' lead in closing this loophole**

Oregon, North Dakota, and Georgia have each repealed or narrowed their rental car tax exemptions.<sup>3</sup> Maryland did the same through its Budget Reconciliation and Financing Act of 2025, imposing a 3.5% excise tax on rental vehicle purchases that had previously been

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<sup>1</sup> University of Hawai'i Economic Research Organization (UHORO). *Fourth Quarter Forecast 2025*. Dec. 12, 2025. <https://www.hawaii.edu/news/2025/12/12/uhero-fourth-quarter-forecast-2025/>

<sup>2</sup> "Hawai'i Governor's Proposed State Budget Anticipates More Federal Cuts." *Honolulu Civil Beat*, Dec. 23, 2025. <https://www.civilbeat.org/2025/12/hawai%CA%BBi-governors-proposed-state-budget-anticipates-more-federal-cuts/>

<sup>3</sup> Steve DelBianco, 2025.

fully exempt,<sup>4</sup> and expects roughly \$240 million in additional revenue as a result.<sup>5</sup> These states have established a fairer tax system while redirecting recovered funds to essential public services. Hawai'i can and should follow their lead.

For these reasons, **I respectfully urge you to advance HB 2575.** This bill offers Hawai'i a practical way to close an unfair tax loophole, strengthen tax fairness, and raise critical revenue during a period of serious fiscal pressure that benefits consumers statewide.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Singleton', written in a cursive style.

Robert Singleton  
Senior Director of Policy and Public Affairs, California and US West

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<sup>4</sup> Maryland Budget Reconciliation and Financing Act of 2025 (HB 352), imposing a 3.5% excise tax on rental vehicle purchases effective July 1, 2025.  
<https://mva.maryland.gov/businesses/Documents/bulletins/2025/Bulletin-Rental-Excise-Tax-Loaner-Exemption-06272025.pdf>

<sup>5</sup> Bryan P. Sears. "House, Senate quickly come to agreement on spending and tax plan." *Maryland Matters*, Apr. 4, 2025.  
<https://marylandmatters.org/2025/04/04/house-senate-quickly-come-to-agreement-on-spending-and-tax-plan/>



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 18, 2026

TO: Representative Greggor Ilagan  
Chair, Committee on Economic Development & Technology

FROM: Chris Delaunay / Tiffany Yajima

RE: **H.B. 2575, HD1 - Relating to Taxation**  
**Hearing Date: Wednesday, February 18, 2026, at 9:30AM**  
**Conference Room 423**

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Aloha Chair Ilagan, Vice Chair Hussey, and Members of the Committee on Economic Development and Technology:

We submit this testimony in **strong opposition to H.B. 2575, HD1** on behalf of Enterprise Mobility, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, and Enterprise Commute (Van Pool).

H.B. 2575, HD1 changes the tax rate that rental motor vehicle companies pay to acquire new motor vehicles from the .5 percent wholesale rate to the retail or higher general excise tax or use tax rate of 4 percent. This bill overturns long-standing Hawai'i tax policy applicable to all leasing companies and selectively targets a single industry without fully understanding the broader implications of the proposal.

H.B. 2575, HD1 would raise costs for renters, which include tourists, residents and state agencies, and would not generate a stable or sustainable source of funding for the state. This measure could result in slower or reduced vehicle fleet turnover thereby reducing the amount of tax generated for the state but also reducing cargo volume and impacting the broader shipping and transportation system as a whole. For these reasons, we respectfully urge the Committee to defer this measure.

### **Wholesale Tax and Licensed Leasing Companies**

Under Hawai'i law, a sale is treated as wholesale when capital goods with a depreciable life are purchased by a licensed leasing company and then leased to customers as a service. In a rental car operation, fleet vehicles are purchased at the wholesale rate as business assets or "capital goods" and leased to renters. Because the vehicles are acquired at the wholesale rate, each rental transaction is taxed at the retail rate.

These fleet vehicles are business assets and not end-consumer goods. They function similarly to construction equipment used by contractors and trucks used by delivery and logistic companies. Treating rental fleet vehicles differently from other leased or capital equipment is inconsistent with how other capital-dependent service industries are taxed.

**Economic Impact of Rental Car**

Rental car companies generate significant tax revenue for the state at multiple points. Currently, fleet vehicles generate a wholesale tax on acquisition and an additional tax when the vehicles are turned over and sold in state to local dealerships or direct to the public. Excess inventory not sold in state is shipped out of state and generates taxable revenue downstream through the maritime industry.

When a vehicle is rented, each rental transaction is assessed at the full 4% retail rate. In addition, each rental generates a half percent County Surcharge and \$7.50 per day Rental Motor Vehicle Surcharge Tax. If rented at an airport, these rentals also generate an additional 10% to the state Department of Transportation for airport concession fees and \$4.50 in Customer Facility Charges which fund major airport rental car facilities and infrastructure projects.

These taxes and fees impact the cost of renting a car. For example, a one-day airport rental at \$38.66 results in a total customer charge of about \$57.23 after taxes and fees, which is a 48% effective tax and fee rate on one rental car. This is a significant source of revenue for the State and Department of Transportation. Altering this tax without consideration of the broader effects could have unintended consequences.

If the tax on fleet purchase is increased to the retail rate, that cost does not disappear, it flows through to the rental price, resulting in higher costs to renters. That includes visitors traveling to Hawai'i, residents traveling between neighbor islands, and local households and businesses that need short-term vehicles. It also impacts state agencies that use rental vehicles for state business. Higher rental costs make business and travel more expensive and, for tourists, reduce trip spending elsewhere in the local economy.

Higher upfront tax costs could push companies to keep vehicles in service longer, slow replacement cycles, and ultimately result in fewer new vehicle purchases. This could have a ripple effect beyond the rental car industry leading to older fleets, reduced vehicle inventory for local dealerships, and fewer cargo and shipments. In addition, because companies would buy fewer vehicles and replace them less often, the expected revenue from a higher acquisition tax would likely decline over time due to lower volume overall.

For the reasons above we strongly oppose H.B. 2575, HD1 and respectfully urge the Committee to defer this bill.

Thank you for the opportunity to provide testimony.