

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

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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. 2586, H.D.1, Relating to Taxation

BEFORE THE:

House Committee on Judiciary & Hawaiian Affairs

DATE: Thursday, February 19, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 325

Chair Tarnas, Vice-Chair Poepoe, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2586, H.D.1, for your consideration.

H.B. 2586, H.D.1, amends section 237-1, Hawaii Revised Statutes (HRS), to impose the general excise tax (GET) retail 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, HRS; and
- “Rental motor vehicle” has the same meaning as in section 251-1 HRS.

Section 3 of the bill amends section 237-4(a)(1), HRS, which defines sales at wholesale, by specifying 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, HRS, is also amended to state that sales to a licensed leasing company of capital goods that have a depreciable life, which are purchased by the

leasing company for lease to its customers, and thereafter are leased to others, does 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. 2586, H.D.1, then 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 who import or purchase 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 per cent retail GET and use tax rate (plus applicable 0.5 per cent county GET rate) on lessors importing or purchasing motor vehicles into the State for use as a rental motor vehicle.

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

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

DOTAX recommends 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.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

H.B. NO. 2586, H.D. 1, RELATING TO TAXATION.

BEFORE THE:

HOUSE COMMITTEE ON JUDICIARY & HAWAIIAN AFFAIRS

DATE: Thursday, February 19, 2026 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Room 325

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Joshua J. Michaels, Deputy Attorney General

Chair Tarnas and Members of the Committee:

The Department of the Attorney General has concerns regarding this bill and provides the following comments.

This bill changes the tax treatment of motor vehicles acquired by lessors of rental motor vehicles. Section 7 of this bill appropriates general funds to the Department of Hawaiian Home Lands (DHHL) for a variety of services "necessary to address the waiting list" (page 21, line 5, through page 22, line 2).

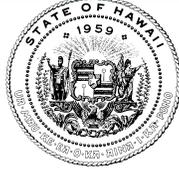
Section 7 of the bill may be subject to challenge under the single subject requirement of article III, section 14, of the State Constitution, which provides that "[e]ach law shall embrace but one subject, which shall be expressed in its title." The subject expressed in this bill's title is "taxation." The appropriation of general funds to DHHL to address the beneficiary waiting list may not be sufficiently related to the subject of taxation.

To avoid potential challenge under article III, section 14, of the State Constitution, we recommend that section 7 of the bill (page 21, line 5, through page 22, line 2) be removed and, if appropriate, be placed in a separate bill relating to DHHL programs and beneficiary housing.

Thank you for the opportunity to provide comments.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia'āina o ka Moku'āina 'o
Hawai'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia'āina o ka Moku'āina
'o Hawai'i*



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawai'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON JUDICIARY AND
HAWAIIAN AFFAIRS
ON FEBRUARY 19, 2026 AT 2:00PM IN CR 325

HB2586, HD1, RELATING TO TAXATION

February 19, 2026

Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) strongly **supports** this bill which 1) applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies, 2) appropriates funds for a position in the Department of Taxation and 3) appropriates funds to the Department of Hawaiian Home Lands to address the beneficiary waiting list.

DHHL appreciates the intent of this legislative proposal and supports the proposed short form bill in conjunction with SB2784 noted during the Senate Committees on Commerce and Consumer Protection and Hawaiian Affairs hearing held on Friday, February 6, 2026 at 9:30am. DHHL has several current and potential transit-oriented development projects and the potential revenue from this measure could serve those needs. This legislative proposal provides an alternative source of revenue for the State and will aid the State in fulfilling its trust responsibility to DHHL and its applicant beneficiaries.

Thank you for your consideration of our testimony.



TESTIMONY IN SUPPORT HOUSE BILL 2586 HD1
RELATING TO TAXATION

Ke Kōmike Hale o ka Ho‘okolokolo a me ke Kuleana Hawai‘i
(House Committee on Judiciary & Hawaiian Affairs)

Ke Kapitala ‘o Hawai‘i
(Hawai‘i State Capitol)

Pepeluali 19, 2026

2:00PM

Lumi 325

Aloha e Chair Tarnas, Vice Chair Poepoe, and Members of the Committee on Judiciary and Hawaiian Affairs:

The leadership of the Office of Hawaiian Affairs (OHA) **SUPPORTS HB2586 HD1** which will appropriate revenues generated from tourism-based rental vehicle purchase and sale to provide the Department of Hawaiian Home Lands (DHHL) with funds to support beneficiary housing and reduce the DHHL waitlist.

OHA supports creative solutions to help fund DHHL and enable it to fulfill its critical mission to return Native Hawaiians to the land. As the legislature well knows, DHHL has faced decades of underfunding. OHA has committed to providing \$3 million annually until 2032 to finance debt servicing payments that support DHHL housing development projects. We appreciate this proposal to secure additional funding for DHHL’s operating and administrative expenses through a reasonable tax on purchase of new vehicles.¹

OHA notes that there is established precedent for directing income and proceeds generated from Hawai‘i’s largest commercial industry to fund DHHL. The Hawaiian Homes Commission Act (HHCA) established the Native Hawaiian rehabilitation fund which received 30% of receipts derived from lease of public lands and water to private sugarcane growers. At the time of the HCCA’s passage in 1920, sugarcane was by far the largest and most lucrative private industry in Hawai‘i, much like the tourism industry today. OHA

¹ Office of Hawaiian Affairs, 2025 Annual Report, https://www.oha.org/wp-content/uploads/2025annualreport_WEB.pdf (last accessed on 2/18/2026).

commends creative efforts to facilitate the implementation of DHHL's critical mission in a more timely manner – including through the subject proposal.

Mahalo nui for the opportunity to testify on this critical issue. Please note this testimony represents a recommendation by OHA leadership that is subject to approval by the Board of Trustees.

COUNTY COUNCIL

Mel Rapozo, Chair
KipuKai Kualii, Vice Chair
Addison Bulosan
Bernard P. Carvalho, Jr.
Felicia Cowden
Fern Holland
Arryl Kaneshiro



OFFICE OF THE COUNTY CLERK

Jade K. Fountain-Tanigawa, County Clerk
Lyndon M. Yoshioka, Deputy County Clerk

Telephone: (808) 241-4188
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Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

February 17, 2026

**TESTIMONY OF ADDISON BULOSAN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
HB 2586, HD 1, RELATING TO TAXATION
House Committee on Judiciary & Hawaiian Affairs
Thursday, February 19, 2026
2:00 p.m.
Conference Room 325
Via Videoconference**

Dear Chair Tarnas and Members of the Committee:

Thank you for this opportunity to provide testimony in SUPPORT of HB 2586, HD 1, Relating to Taxation. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council.

I am proud to support HB 2586, HD 1, which more equitably applies the retail, general excise tax (GET), or use tax rate to purchases or imports of new motor vehicles by rental car companies. Additionally, the increase in revenue from this measure will be used to expand Department of Taxation enforcement capacity and invest in the Department of Hawaiian Home Lands to support beneficiary housing, thereby reducing the waitlist.

Thank you again for this opportunity to provide testimony in support of HB 2586, HD 1. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188 or via email to cokcouncil@kauai.gov.

Sincerely,

ADDISON BULOSAN
Councilmember, Kaua'i County Council

RM:mn

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE; USE; Apply Higher Rate to Rental Motor Vehicles for DHHL

BILL NUMBER: HB 2586 HD 1

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. Appropriates funds to the Department of Hawaiian Home Lands to address the beneficiary waiting list. Effective 7/1/3000. (HD1)

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: The preamble to this bill addresses two tax gaps that may result in fiscal leakage 1) rental motor vehicle lessors currently subject to the wholesale GET rate on vehicle acquisitions and (2) federal contracts for work performed within the State to businesses that are not registered and don't pay tax (where in some cases their employees don't pay state tax either). The solution provided by the bill is to increase state revenues without imposing major financial impacts on residents by hoisting the GET costs paid by rental car companies, funding a position within DOTAX to monitor contractors, and appropriating funds to DHHL to address the beneficiary waiting list.

The causes and effects, however, do not appear to be related at all.

The Transportation Committee advanced the following rationale as its excuse for treating car rental companies differently:

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: 2/17/2026



February 19, 2026

Chair David Tarnas & Committee Members
House Committee on Judiciary and Hawaiian Affairs
State House of Representatives

Hearing: Tuesday, February 19, 2026, 2:00 PM, Room 325

HB2586, 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 HB2586, 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. Proceeds of the proposed tax revenues would be appropriated to the Department of Hawaiian Home Lands.

Lack of Nexus Between Rental Cars and DHHL. HB2586, HD1 runs afoul of sound and reasoned tax policy which requires a nexus between the new tax imposed and the recipient agency and/or use of those funds. The suggested rental car tax is a transportation tax that does not have a nexus to the Department of Hawaiian Home Lands. In contrast, other transportation taxes like the Hawai'i fuel tax are distributed for highway, boating, airports and other transportation purposes. Likewise, the Hawai'i cigarette and tobacco tax is used for cancer research, emergency medical services, trauma system and other health-related activities. The prior-mentioned tax and uses provide a uniform and reasoned approach to tax policy in Hawai'i.

Adverse Impact to Consumers & Residents. Increased taxes will ultimately 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. HB2586, 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.

Only Rental Car industry impacted. HB2586, HD1 singles-out one 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.

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. HB2586, 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 this legislation 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



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Representative David Tarnas, Chair
Representative Mahina Poepoe, Vice Chair
Committee on Judiciary & Hawaiian Affairs

Thursday, February 19, 2026; 2:00 p.m.
Conference room 325

RE: HB 2586 HD1 – Relating to Taxation – In Opposition

Aloha Chair Tarnas, Vice Chair Poepoe and members of the committee:

Servco appreciates this opportunity to submit testimony in opposition to HB 2586 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 and appropriates funds to the Department of Hawaiian Home Lands (DHHL) to address the beneficiary waiting list.

HB 2586 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



Robert Muhs, Esq.

Vice President, Government Affairs &
Counsel

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Representative David Tarnas, Chair
Representative Mahina Poepoe, Vice Chair
Committee on Judiciary & Hawaiian Affairs

Thursday, February 19, 2026; 2:00 p.m.
Conference room 325

RE: HB 2586 HD1 – Relating to Taxation – In Opposition

Aloha Chair Tarnas, Vice Chair Poepoe 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 2586 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 and appropriates funds to the Department of Hawaiian Home Lands (DHHL) to address the beneficiary waiting list.

We believe there is not a sufficient legal nexus to justify using rental car sales tax revenues to address DHHL's beneficiary waiting list. Furthermore, 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.

Finally, HB 2586 HD1 is discriminately targeted at one industry, which raises fairness and equity concerns.

For these reasons, we urge the Committee to defer this bill. Thank you for the opportunity to express our concerns.



February 19, 2026

The Honorable David A. Tarnas
Chair, House Committee on Judiciary &
Hawaiian Affairs
Room 442, Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

The Honorable Mahina Poepoe
Vice Chair, House Committee on
Judiciary & Hawaiian Affairs
Room 331, Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: Support HB 2586 -- "Relating to Taxation"

Dear Chair Tarnas, Vice Chair Poepoe, 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 2586**, 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. It could also **generate up to an estimated \$86.2 million in annual revenue** for Hawai'i.¹

HB 2586 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

¹ This estimate is calculated by applying the 4% general excise tax rate to the [average rental car price](#) (\$48,907), yielding \$1,956 in tax revenue per vehicle, and multiplying that amount by the [estimated](#) 44,066 rental vehicles in Hawaii, for a total of \$86,205,434.

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 2586 corrects this by amending Sections 237-4 and 238-2 of the Hawai'i Revised Statutes to explicitly exclude the sale of a motor vehicle to a lessor of rental motor vehicles from qualifying as a "sale for purposes of resale" and from the capital goods leasing company exemption. 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.² 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.³

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 bring in **up to an estimated \$86.2 million** 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, and HB 2586 would direct a portion of that revenue toward addressing the Department of Hawaiian Home Lands beneficiary waiting list, where thousands of Native Hawaiian applicants have waited years or decades for homestead lots.

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.⁴ Maryland did the same through its Budget Reconciliation and Financing Act

² University of Hawai'i Economic Research Organization (UHERO). *Fourth Quarter Forecast 2025*. Dec. 12, 2025. <https://www.hawaii.edu/news/2025/12/12/uhero-fourth-quarter-forecast-2025/>

³ "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/>

⁴ Steve DelBianco, 2025.

of 2025, imposing a 3.5% excise tax on rental vehicle purchases that had previously been fully exempt,⁵ and expects roughly \$240 million in additional revenue as a result.⁶ 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 2586.** 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

⁵ 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>

⁶ 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/>



Hawai'i State House of Representatives
Committee on Judiciary & Hawaiian Affairs

HB2586, HD1 – Relating to Taxation

RE: Strong support of HB2586, HD1

February 19, 2026

Hawaiian Council writes in **strong support of HB2586, HD1** to support and address the longstanding bureaucratic issues facing beneficiaries of the Hawaiian Homes Commission Act.

Hawai'i residents continue to face rises in cost-of-living and an unpredictable reliance on government support to access key necessities, including housing. Native Hawaiian communities are disproportionately affected by Hawai'i's affordability crisis, with Kanaka 'Ōiwi being overrepresented in our cost-burdened and unhoused communities.

While programs like DHHL are designed to address the mounting pressures placed on native Hawaiian families, it has been difficult to meet the full trust responsibility bestowed upon the State. Today, nearly 30,000 beneficiaries of the HHCA are waiting for a homestead lot award—many of whom are kūpuna who have been on the list for over four decades. At its current state, DHHL is simply unable to accommodate the demand for the lands beneficiaries are entitled to.

HB2586 appropriates funds to DHHL to develop more available lease units and support beneficiaries via mortgage and rental subsidies. Understanding that affordability and taxation is an issue that affects residents statewide, the bill closes a loophole in the general excise tax on new motor vehicles purchased or imported by rental car companies to minimize the financial impacts on kama'āina.

Iwi o ku'u iwi, the bones of my bones—there is no Hawai'i if Kanaka 'Ōiwi and their families are severed from the lands they have cared for and stewarded for generations. For these reasons, Hawaiian Council respectfully urges the committee to **PASS HB2586, HD1**. Mahalo for your commitment to Kanaka 'Ōiwi and their right to affordable housing for generations to come.

Me ke kāko'o mau,

Madelyn McKeague

Director of Advocacy

Hawaiian Council

HAWAIIANS ADVANCING HAWAI'I

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SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 19, 2026

TO: Representative David A. Tarnas
Chair, Committee on Judiciary & Hawaiian Affairs

FROM: Chris Delaunay / Tiffany Yajima

RE: **H.B. 2586, HD1 - Relating to Taxation**
Hearing Date: Thursday, February 19, 2026, at 2:00PM
Conference Room 325

Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee on Judiciary & Hawaiian Affairs:

We submit this testimony in **strong opposition to H.B. 2586, 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. 2586, HD1 changes the tax rate that rental motor vehicle companies pay to acquire new motor vehicles, raising it from the 0.5 percent wholesale rate to the 4 percent retail general excise or use tax rate. This bill overturns Hawai'i tax policy applicable to all leasing companies and selectively targets a single industry without fully understanding the broader implications of the proposal. The bill also directs revenue to programs unrelated to rental motor vehicles, including enforcement activities involving out-of-state federal contractors and the Hawaiian home administration account.

H.B. 2586, 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

logistics 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.

We recognize and respect the importance of funding for the Department of Hawaiian Home Lands (DHHL) and addressing beneficiary waiting lists. However, we are concerned that H.B. 2586, HD1 establishes no policy or programmatic legal nexus between rental car fleet acquisition taxes and DHHL funding.

For the reasons above we strongly oppose H.B. 2586, HD1 and respectfully urge the Committee to defer this bill.

Thank you for the opportunity to provide testimony.



Hearing date: Thursday, February 19, 2026

Time: 2:00pm

Location: State Capitol, Room 325

Re: Strong Opposition to HB 2586, HD1, Relating to Taxation

Dear Chair Tarnas, Vice Chair Poepoe, and Members of the Committee on Judiciary and Hawaiian Affairs,

On behalf of Pasha Hawaii, I write in strong opposition to HB 2586, 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
Pasha Hawaii

KA LĀHUI HAWAI‘I

Testimony in STRONG SUPPORT of H.B. 2586, HD1

Committee on Judiciary & Hawaiian Affairs

Aloha Chair Tarnas, Vice Chair Poepoe, and Members of the Committee,

Ka Lāhui Hawai‘i submits testimony in strong support of H.B. 2586, HD1.

Today, thousands of Kanaka Maoli remain on the Department of Hawaiian Home Lands (DHHL) waitlist for a homestead, many waiting decades for the State to fulfill its trust obligation under the Hawaiian Homes Commission Act. The housing crisis continues to displace our people from our homeland, while the visitor industry continues to generate billions of dollars annually from Hawai‘i’s lands, infrastructure, and cultural identity.

H.B. 2586 takes a concrete step toward aligning revenue with responsibility. This bill corrects the tax treatment of rental motor vehicle companies by applying the retail or use tax rate to their vehicle purchases, ensuring equitable capture of general excise tax revenue. Rental car corporations operate squarely within Hawai‘i’s tourism economy and benefit directly from Hawai‘i’s public infrastructure and resources. It is reasonable and just that revenue derived from this sector contribute fairly to public needs.

Importantly, this measure appropriates funds to the Department of Hawaiian Home Lands to address the beneficiary waitlist through lot development, land acquisition, housing support, and mortgage or rental assistance. Dedicated funding tied to tourism-related activity reflects a rational nexus between the industry profiting from our lands and the State’s constitutional and moral obligation to Native Hawaiian beneficiaries.

The bill also strengthens enforcement capacity within the Department of Taxation to ensure compliance with state tax laws, protecting revenue needed to meet trust and public obligations.

H.B. 2586 is a necessary step toward tax equity, fiscal accountability, and advancing the State’s trust responsibilities to Kanaka Maoli.

Mahalo for the opportunity to testify, and we respectfully urge your support for H.B. 2586, HD1.

Mahalo nui,
Healani Sonoda-Pale
On behalf of Ka Lāhui Hawai‘i

KA LĀHUI HAWAI'I

HB-2586-HD-1

Submitted on: 2/18/2026 5:43:49 PM

Testimony for JHA on 2/19/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Oppose	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, OPPOSE

2586 HB RELATING TO TAXATION.

State of HI is RESPONSIBLE with appropriation to DHHL and not target ONLY the tourism-dependent rental motor vehicle industry and the ENTIRE tourism dependent industry!

HB-2586-HD-1

Submitted on: 2/18/2026 7:56:23 PM

Testimony for JHA on 2/19/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jonathan Huynh	Individual	Support	Written Testimony Only

Comments:

Aloha. I support any effort to raise public funds from drivers and/or companies that support driving. Driving reduces public health outcomes, leads to road deaths, and pollutes the environment. Driving and renting a car should be a heavily taxed activity so that funds can be used for the good of the public. I would also support amendments that would allocate portions of the fund to Complete Streets projects.

WRITTEN TESTIMONY IN SUPPORT OF HB2586 HD1

House Committee on Judiciary and Hawaiian Affairs (JHA)

Hearing Date: Thursday, February 19, 2026 Time: 2:00 P.M.

Location: House Conference Room 325

Aloha Chair Tarnas, Vice Chair Poepoe, and Honorable Members of the Committee,

My name is Germaine Meyers. I am a native Hawaiian beneficiary, Nanakuli Hawaiian Homestead Lessee, and an elected member of the Nanakuli-Mailii Neighborhood Board No. 36, where I serve as Chair of the Transportation Committee and Chair of the Housing-Zoning Committee.

I respectfully submit testimony in strong support of HB2586, HD1.

HB2586, HD1 seeks to address an inequity in the application of the general excise tax by applying the GET to the purchase of fleet vehicles by rental car companies and dedicating the resulting revenue to the Department of Hawaiian Home Lands.

As a native Hawaiian beneficiary of DHHL, I would like all native Hawaiians on the waitlist to receive a parcel of land and a 99-year lease. However, DHHL lacks sufficient funding to develop its raw lands with the infrastructure necessary to award homestead leases.

Ensuring that industries that benefit from Hawaii's public infrastructure contribute equitably to the State's tax system provides an opportunity to generate dedicated revenue to support homestead development and reduce the DHHL waitlist.

By directing revenue generated from rental vehicle fleet purchases to DHHL, this measure supports beneficiary housing development, strengthens economic stability for native Hawaiian families, and advances the State's trust responsibilities under the Hawaiian Homes Commission Act.

For these reasons, I respectfully urge the Committee to pass HB2586, HD1.

Ke Akua pu,

Germaine Meyers

native Hawaiian Beneficiary | Nanakuli Hawaiian Homestead Lessee

Chair, Transportation Committee | Chair, Housing-Zoning Committee

Nanakuli-Mailii Neighborhood Board No. 36 | Waianae Coast, Oahu

HB-2586-HD-1

Submitted on: 2/19/2026 12:10:54 PM

Testimony for JHA on 2/19/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kapua Keliikoa-Kamai	Individual	Support	Remotely Via Zoom

Comments:

Aloha kakou,

I STRONGLY support ***HB2586 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. Appropriates funds to the Department of Hawaiian Home Lands to address the beneficiary waiting list. Effective 7/1/3000.

I appreciate this action to correct their previous tax classification and increase revenues to the State of Hawai‘i. These revenues are much needed by Department of Hawaiian Home Lands.

Mahalo nui loa,

Kapua Keliikoa-Kamai,

Concerned Waianae HHCA lessee & beneficiary