

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

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, Relating to Taxation

**BEFORE THE:**

House Committee on Transportation

**DATE:** Tuesday, February 10, 2026

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

**LOCATION:** State Capitol, Room 430

Chair Kila, Vice-Chair Miyake, and Members of the Committee:

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

H.B. 2586 makes amendments to section 237-1, Hawaii Revised Statutes (HRS), primarily to impose the retail general excise tax (GET) rate for 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)(1), HRS, by adding modifying language stating 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 modified by adding language stating 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 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 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, 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 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 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 Hawai'i.

The measure is to take effect on July 1, 2026.

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.



February 10, 2026

TO: HONORABLE DARIUS KILA, CHAIR, HONORABLE TYSON MIYAKE, VICE CHAIR, COMMITTEE ON TRANSPORTATION.

SUBJECT: **SUPPORT OF H.B. 2586, 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.

HEARING

DATE: Tuesday, February 10, 2026  
TIME: 9:30 a.m.  
PLACE: Capitol Room 430

Dear Chair Kila, Vice Chair Miyake, and Members of the Committee,

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. 2586, 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. Appropriates funds to the Department of Hawaiian Home Lands to address the beneficiary waiting list.

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.



**GENERAL  
CONTRACTORS  
ASSOCIATION  
OF HAWAII**

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.

QUALITY PEOPLE. QUALITY PROJECTS



February 10, 2026

Chair Darius Kila & Committee Members  
House Committee on Transportation  
State House of Representatives

**Hearing: Tuesday, February 10, 2026, 9:30 am, Room 430**

### **HB2586 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 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.

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.

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 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.

Additionally, HB2586 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.

HB2586 also 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.

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.

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

# TAX FOUNDATION OF HAWAII

---

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

---

**SUBJECT:** GENERAL EXCISE, USE, Applies Retail GET or Use Tax Rate to Purchases or Imports of New Motor Vehicles by Rental Car Companies

**BILL NUMBER:** SB 2784

**INTRODUCED BY:** KEOHOKALOLE

**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.

**SYNOPSIS:** Amends section 237-1 and 238-1, HRS, to add definitions of “lessor of rental motor vehicles” and “rental motor vehicle” by cross-reference to section 251-1, HRS (relating to the rental motor vehicle and tour vehicle surcharge tax).

Amends section 237-4(a)(9), HRS, to exclude from the GET wholesale rate “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 exclude from the Use Tax wholesale rate “the importing or purchasing of a motor vehicle by a lessor of rental motor vehicles for use as a rental motor vehicle.”

**EFFECTIVE DATE:** July 1, 2026.

**STAFF COMMENTS:** The preamble to this bill states that the State is facing financial problems in light of (1) federal policies related to tariffs and entitlement programs 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.

Rather, the bill is simply a tax hike on rental car companies. The law presently 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 bill creates an exception for rental car companies.

It should be remembered that such companies are already subject to GET and the rental motor vehicle and tour vehicle surcharge tax or RVST.

Re: SB 2784

Page 2

If the intent is just to make rental car companies pay more, we suggest a simple, transparent hike to the RVST as opposed to mucking up the GET by creating anomalous treatment of similar revenue streams.

Digested: 1/30/2026



February 10, 2026

The Honorable Darius Kila  
Chair  
House Committee on Transportation  
Room 322, Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

The Honorable Tyson Miyake  
Vice Chair  
House Committee on Transportation  
Room 421, Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

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

Dear Chair Kila, Vice Chair Miyake, 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.<sup>1</sup>

**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

---

<sup>1</sup> 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.<sup>2</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>3</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 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 Hawai'ian Home Lands beneficiary waiting list, where thousands of Native Hawai'ian 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.<sup>4</sup> Maryland did the same through its Budget Reconciliation and Financing Act

---

<sup>2</sup> 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/>

<sup>3</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>4</sup> Steve DelBianco, 2025.

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

---

<sup>5</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>6</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/>



**Hawai'i State House of Representatives**

**Committee on Transportation**

HB2586 – Relating to Taxation

**RE: Strong support of HB2586**

February 10, 2026

Hawaiian Council writes in **strong support of HB2586** 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**. 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**

91-1270 Kinoiki Street, Building 1, Kapolei, HI 96707

[info@hawaiiancouncil.org](mailto:info@hawaiiancouncil.org)

[www.hawaiiancouncil.org](http://www.hawaiiancouncil.org)



**SanHi**

GOVERNMENT STRATEGIES  
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 10, 2026

TO: Representative Darius K. Kila  
Chair, Committee on Transportation

FROM: Chris Delaunay / Tiffany Yajima

RE: **H.B. 2586 Relating to Taxation**  
**Hearing Date: Tuesday, February 10, 2026, at 9:30AM**  
**Conference Room 430**

---

Aloha Chair Kila, Vice Chair Miyake, and Members of the Committee on Transportation:

We submit this testimony in **strong opposition to H.B. 2586** 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 applies the retail or higher general excise tax or use tax rate to purchases or imports of new motor vehicles by rental car companies. This proposal overturns long-standing Hawai'i tax policy applicable to all leasing companies and selectively targets a single capital-intensive industry while dedicating the revenue to a program purpose unrelated to rental motor vehicle. For these reasons, we respectfully urge the Committee to defer this measure.

H.B. 2586 overturns long-standing and deliberate Hawaii tax law on leased capital goods. For decades, Hawai'i law has expressly provided wholesale tax treatment for purchases of capital goods by all licensed leasing companies, including rental car companies. This proposal would fundamentally change the way taxes are assessed on durable goods. In removing the wholesale tax treatment only for rental motor vehicle lessors, while leaving the same treatment in place for other leasing and capital-intensive industries, this measure targets a specific industry.

We are very concerned this measure could open the door to similar tax treatment of other durable goods and leased equipment which would have a profound effect on rental equipment for contractors, landscapers, and homeowners in the state, ultimately affecting cost of construction, housing and cost of living for residents.

The bill also creates tax pyramiding. Under current law, rental motor vehicle fleets are taxed at the wholesale rate at acquisition, and each rental transaction is separately taxed at the full retail GET rate when the vehicle is rented to a customer. Rental car companies collect and remit these taxes to the State on every rental transaction. H.B. 2586 would add a second layer of retail-level tax, at the time the vehicle is purchased, on top of the existing tax collected each time the vehicle is rented.

Under this measure, rental companies would be required to pay a retail-level GET or use tax when purchasing fleet vehicles and then pay retail GET again each time those vehicles are rented. This creates tax pyramiding by imposing tax on the same vehicle at acquisition and again each time it produces taxable rental income. Hawai'i's wholesale tax law is designed specifically to avoid this outcome and could significantly affect other equipment leasing businesses.

In addition, rental motor vehicles are not used only by tourists and visitors but are also regularly used by Hawai'i residents, local businesses, government contractors and service providers, and insurance replacements. Families who travel to the neighboring islands to attend special events, such as weddings, youth sports, family reunions, and funerals would be impacted by this bill. Higher fleet acquisition taxes will translate into higher car rental costs across the board. This will directly affect local households and businesses, not just tourists.

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 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 and respectfully urge the Committee to defer this bill.

Thank you for the opportunity to provide testimony.



**Robert Muhs, Esq.**

Vice President, Government Affairs  
& Counsel

T - 973 496-3532

[Robert.muhs@avisbudget.com](mailto:Robert.muhs@avisbudget.com)

Representative Darius Kila, Chair  
Representative Tyson Miyake, Vice Chair  
Committee on Transportation

Tuesday, February 10, 2026; 9:30 a.m.  
Conference room 430

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

Aloha Chair Kila, Vice Chair Miyake 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, 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 Hawai'i 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 Hawai'i 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 Hawai'i 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. Ultimately, this bill will result in higher car rental costs for residents, local businesses and visitors.

Finally, HB 2586 is discriminately targeted at one industry.

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



SERVCO PACIFIC INC.  
2850 PUKOLOA ST. STE. 300  
HONOLULU, HI 96819 USA

O. 808.564.1300  
F. 808.564.1393

SERVCO.COM

Representative Darius Kila, Chair  
Representative Tyson Miyake, Vice Chair  
Committee on Transportation

Tuesday, February 10, 2026; 9:30 a.m.  
Conference room 430

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

Aloha Chair Kila, Vice Chair Miyake and members of the committee:

Servco appreciates this opportunity to submit testimony in opposition to HB 2586, 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 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