

DEPARTMENT OF TAXATION

Amendments to Chapter 18-251,
Hawaii Administrative Rules

Effective: April 14, 2022

SUMMARY

1. §§18-251-1-01 and 18-251-1-02 are amended.

§18-251-1-01 Definitions, generally. As used in this chapter, unless the context otherwise requires:

"Department" means the department of taxation.

"Director" means the director of taxation.

"Peer-to-peer car-sharing marketplace" means any person who assists in the business of providing rental motor vehicles or vehicles to the public by:

- (1) Providing a forum, whether physical or electronic, in which vehicle owners or authorized possessors list or advertise vehicles for rent; and
- (2) Collecting payment from the lessee, either directly or indirectly through an agreement with a third party.

"Person" has the same meaning as defined in section 237-1, HRS, specifically, every individual, partnership, society, unincorporated association, joint adventure, group, hui, joint stock company, corporation, trustee, personal representative, trust estate, decedent's estate, trust, trustee in bankruptcy, or other entity, whether such persons are doing business for themselves or in a fiduciary capacity, and whether the corporation or other association is created or organized under the laws of the State or of another jurisdiction.

"Surcharge tax" means the rental motor vehicle and tour vehicle surcharge tax established under chapter 251, HRS, and implemented by this chapter.
[Eff 1/27/92; Am 4/14/22] (Auth: HRS §231-3(9)) (Imp: HRS §251-1)

§18-251-1-02 "Lessor", defined. (a) As used in this chapter, "lessor" means any person in the business of providing rental motor vehicles or vehicles to the public and includes any person operating a peer-to-peer car-sharing marketplace.

Example 1:

ABC U-Drive (ABC) owns 100 cars and is in the business of providing cars to customers for a fee. ABC is the lessor of these cars, and the incidence of the rental motor vehicle surcharge tax is on ABC.

Example 2:

Giro Transportation (Giro) is a peer-to-peer car-sharing marketplace company that provides a forum where prospective rental motor vehicle lessees may browse for cars they wish to rent. Giro enters into an agreement with car owners to provide cars to lessees for ground transportation. The lessee pays Giro the rental amount for the car and takes possession from the owner. The surcharge tax is imposed on Giro, not the owner, because Giro is the lessor, Giro provided the lessee a rental vehicle for a fee, and Giro is not a wholesaler, tour packager, nor travel agent. The owner is a wholesaler and is not subject to the tax under this chapter.

(b) For purposes of this chapter, a wholesaler, tour packager, or travel agent whose business and service may include arranging the rental vehicle transportation for a person shall not be deemed a lessor, unless the wholesaler, tour packager, or travel agent actually rents or leases (as defined in section 18-251-1-04) the vehicle.

Example 1:

Vacation Services (Vacation) is a tour packager company that arranges a variety of visitor industry services, such as air transportation, hotel room accommodations, ground transportation, tours, classes, and luaus into packages, and sells these services to tourists. ABC U-Drive (ABC) enters into an agreement with Vacation to provide the cars for ground transportation. When the customer receives a rental car from ABC, the rental motor vehicle surcharge tax is triggered, and the surcharge tax is imposed on ABC, not Vacation, because Vacation is a tour packager who arranged rental vehicle transportation.

Example 2:

Vacation Services (Vacation) decides that its business would become more profitable if it started to use its own cars instead of making arrangements with ABC U-Drive. Vacation acquires 5 cars and provides them to customers for a fee. Vacation is now the lessor of these cars, and the rental motor vehicle surcharge tax is imposed on Vacation." [Eff 1/27/92; Am 4/14/22] (Auth: HRS §231-3(9)) (Imp: HRS §251-1)

DEPARTMENT OF TAXATION

Chapter 18-251, Hawaii Administrative Rules, was adopted on April 14, 2022, following public hearing held on February 28, 2022, after public notice was given in the Honolulu Star Advertiser on January 28, 2022.

These amendments to chapter 18-251 shall take effect ten days after filing with the office of the Lieutenant Governor.

/s/
ISAAC W. CHOY
Director of Taxation

APPROVED:

/s/
DAVID Y. IGE
Governor
State of Hawaii

Dated: 4/04/22

APPROVED AS TO FORM:

/s/
Deputy Attorney General