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August 25, 2006

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2006-09 (REVISED)

Department of Taxation Announcement No. 2006-09, issued June 26, 2006, is re-issued to clarify that the lessee's repair order record should be kept by either the lessor or the motor vehicle repair dealer and is not required to be kept by the lessee. A clarification is also made that a motor vehicle repair dealer is required to maintain a repair order record for two years under other law.

RE: Act 142, Session Laws of Hawaii 2006, Relating to Rental Motor Vehicle Surcharge Tax

On May 26, 2006, Governor Linda Lingle signed into law House Bill 2214 HD 1, SD 2, CD 1, as Act 142.

Act 142 amends Section 251-2(a), Hawaii Revised Statutes, which deals with a lessor's exemption from the rental motor vehicle surcharge tax. Currently, a lessor is exempt from the surcharge if:

1) The lessor is renting the vehicle to a lessee whose vehicle is being repaired; and

2) The lessor retains a record of the lessee's repair order for four years.

Act 142 amends the exemption to allow the lessee's repair order record to be maintained by either the lessor or by the motor vehicle repair dealer. The lessor should maintain this record for two years. The motor vehicle repair dealer is required to maintain this record for two years under HRS § 437B-16.

Act 142 takes effect on July 1, 2006.

For more information on Act 142, please contact the Rules Office at 808-587-1577.

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