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## A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION FOR DEPARTMENT OF TAXATION  
COUNTY SURCHARGE IMPLEMENTATION COSTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. This Act is recommended by the governor for  
2 immediate passage in accordance with article VII, section 9, of  
3 the Constitution of the State of Hawaii.

4           SECTION 2. The purpose of this Act is to make an emergency  
5 appropriation to the department of taxation to address  
6 unbudgeted expenses incurred by the department in implementing  
7 the administration of the county surcharge on state general  
8 excise tax provided for under section 46-16.8, Hawaii Revised  
9 Statutes.

10           SECTION 3. Act 247, Session Laws of Hawaii 2005,  
11 authorized the counties to adopt a county surcharge on state  
12 general excise tax, the revenue from which was to be deposited  
13 for the benefit of any adopting county. The purpose of the  
14 county surcharge was to provide the counties with a means of  
15 financing a preferred mass transit alternative. Act 247 placed  
16 the burden of administering and collecting the county surcharge  
17 on the department of taxation. The burdens of administering the



1 county surcharge include assessment, collection, processing,  
2 accounting, and enforcement of the surcharge for the benefit of  
3 an enacting county.

4 Although Act 247 placed the administrative duties of county  
5 surcharge collection on the department of taxation, Act 247  
6 contained no appropriation to offset the direct costs incident  
7 to administering the county surcharge.

8 The city and county of Honolulu was the only county to  
9 adopt a county surcharge on state general excise tax. Adopting  
10 this surcharge triggered the department of taxation's  
11 responsibilities regarding assessment and collection of the  
12 surcharge.

13 Assessment, collection, processing, accounting, and  
14 enforcement of the county surcharge imposed a substantial  
15 financial burden on the department of taxation that was not  
16 resolved by Act 247. Costs the department of taxation incurred  
17 include substantial computer upgrades, substantial personnel and  
18 professional time, public outreach, and additional personnel to  
19 assist with the department's other obligations.

20 In response to the department of taxation's unfunded  
21 mandate to assess and collect the county surcharge, the city and  
22 county of Honolulu agreed to guarantee the department of



1 taxation's costs up to \$5,000,000. This guarantee is for costs  
2 that have been incurred up until the legislature can consider  
3 this emergency appropriation to pay the vendor and other costs.  
4 This request for an appropriation is on an emergency basis  
5 because the city and county of Honolulu has guaranteed the  
6 payments to the computer vendor and the department of taxation's  
7 out-of-pocket expenditures, up to \$5,000,000, if the legislature  
8 does not appropriate moneys to the department of taxation that  
9 is signed into law or otherwise takes effect by March 30, 2007,  
10 before the regular session of 2007 is adjourned sine die.

11 The legislature finds that this emergency appropriation is  
12 necessary and in the best interest of the public to assure that  
13 the city and county of Honolulu's county surcharge on state  
14 general excise tax is not adversely impacted. An adverse impact  
15 could ultimately affect the funding of the city and county of  
16 Honolulu's mass transit project, including the ability of the  
17 city and county of Honolulu to obtain federal funding for the  
18 mass transit project. Moreover, this emergency appropriation is  
19 necessary and in the best interest of the public because failure  
20 to provide this appropriation will result in the city and county  
21 of Honolulu surrendering its guarantee for these costs.



1 SECTION 4. In accordance with article VII, section 9, of  
2 the Constitution of the State of Hawaii and sections 37-91 and  
3 37-93, Hawaii Revised Statutes, the legislature has determined  
4 that the general fund expenditure ceiling for fiscal year 2006-  
5 2007 has already been exceeded by \$90,137,694 or 1.68 per cent.  
6 The appropriations contained in this Act will cause the state  
7 general fund expenditure ceiling for fiscal year 2006-2007 to be  
8 exceeded by an additional \$5,041,691 or an additional 0.094 per  
9 cent. The calculation contained in the foregoing sentence  
10 relates only to the amount of general funds appropriated in this  
11 Act for fiscal year 2006-2007. The reasons for exceeding the  
12 general fund expenditure ceiling are that the appropriations  
13 made in this Act are necessary to serve the public interest and  
14 to meet the needs provided for by this Act.

15 SECTION 5. There is appropriated out of the general  
16 revenues of the State of Hawaii the sum of \$5,041,691 or so much  
17 thereof as may be necessary for fiscal year 2006-2007 to  
18 reimburse the department of taxation for costs incurred in  
19 implementing and administering the county surcharge on state  
20 general excise tax, including the costs of the computer vendor.

21 The sum appropriated shall be expended by the department of  
22 taxation for the purposes of this Act.



1 SECTION 6. This Act shall take effect upon its approval.



**Report Title:**

Emergency Appropriation; Department of Taxation

**Description:**

Authorizes an emergency appropriation for the costs incurred in administering the county surcharge on state general excise tax.  
(SD2)

