
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 section 9 of article VII 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 Though 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 include ultimately affecting the funding of the city and
16 county of Honolulu's mass transit project, including the ability
17 of the city and county of Honolulu to obtain federal funding for
18 the mass transit project. Moreover, this emergency
19 appropriation is necessary and in the best interest of the
20 public because failure to provide this appropriation will result
21 in the city and county of Honolulu surrendering its guarantee
22 for these costs.



1 SECTION 4. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$4,500,000, or so
3 much thereof as may be necessary, for fiscal year 2006-2007 to
4 the department of taxation to reimburse it for costs incurred in
5 implementing and administering the county surcharge on state
6 general excise tax, including the costs of the computer vendor.
7 The sum appropriated shall be expended by the department of
8 taxation for the purposes of this Act.

9 SECTION 5. In accordance with section 9 of article VII, of
10 the Constitution of the State of Hawaii and sections 37-91 and
11 37-93, Hawaii Revised Statutes, the legislature has determined
12 that the appropriation contained in this Act will cause the
13 state general fund expenditure ceiling for fiscal year 2006-2007
14 to be exceeded by \$, or per cent. The reasons for
15 exceeding the general fund expenditure ceiling are that the
16 appropriation made in this Act is necessary to serve the public
17 interest and to meet the needs provided for by this Act.

18 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)

