
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that, particularly during
2 times of great economic strife, the State, as well as the
3 counties, must explore all available options not only to ensure
4 the provision of basic health and safety needs but also to
5 preserve the quality of life for its residents.

6 The legislature further finds that in order to protect and
7 best provide for its constituencies, residents may be better
8 served through the ability of the counties to demonstrate
9 flexibility and provide innovative approaches to local problems.
10 Currently, the counties are dependent on the receipt of state
11 funds to help alleviate any budget shortfalls, due primarily to
12 the fact that the only other consistent independent source of
13 revenues is funds received from the real property tax. The
14 legislature believes that, although increases in the real
15 property tax may be necessary, for a long time the counties have
16 been asking for the discretion to establish an additional
17 revenue source that applies more broadly to all individuals
18 within their jurisdictions, not only real property owners. Such

1 authority is essential, given the current economic climate,
2 which has many of the State's residents facing layoffs,
3 furloughs, and other reductions in salary or working hours that
4 will result in additional financial difficulties, including an
5 increased number of foreclosures on real property.

6 By augmenting the purview of the counties' governance, the
7 counties will be able to demonstrate greater self-sufficiency.
8 The legislature finds that enhanced taxing authority for the
9 counties, a responsibility that the counties have indicated a
10 willingness to undertake through previous requests, will provide
11 for the most equitable means for the counties to generate the
12 revenues needed to ensure the continued provision of vital
13 programs and services in these trying and tough economic times.

14 The purpose of this Act is to authorize each county to
15 implement a retail sales tax of up to one per cent on the sale
16 of tangible personal property.

17 SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended
18 by adding a new section to be appropriately designated and to
19 read as follows:

20 "§46- Retail sales tax. (a) Subject to this section,
21 any county may exercise all functions, powers, and duties
22 relating to a retail sales tax and may impose a retail sales tax

1 of up to one per cent on the retail sale of tangible personal
2 property.

3 (b) The retail sales tax shall be levied and assessed on,
4 and collected from a consumer for the county by the retail
5 seller of tangible personal property. The retail sales tax
6 shall be levied on the price of tangible personal property sold
7 to a consumer before the imposition of the general excise tax
8 under chapter 237 on the amounts received by the retail seller.
9 The retail sales tax collected from the consumer by the retail
10 seller shall not be subject to the general excise tax under
11 chapter 237. Each county that adopts a retail sales tax shall
12 immediately notify the department of taxation. The retail sales
13 tax shall take effect on the succeeding January 1 that is at
14 least one hundred eighty days subsequent to the date of the
15 adoption of the retail sales tax in that county.

16 (c) Each county shall be responsible for the assessment
17 and collection of the retail sales tax; provided that a county
18 may authorize the department of taxation to assess and collect
19 the retail sales tax for distribution to the county imposing the
20 tax; provided further that, if a county authorizes the
21 department of taxation to assess and collect the retail sales
22 tax for distribution to the county, the department of taxation

1 shall retain five per cent of the amount assessed and collected
2 as reimbursement for the costs of the assessment and collection
3 incurred by the State. The department of taxation may adopt
4 rules pursuant to chapter 91 and create forms as necessary to
5 carry out the purposes of this section.

6 (d) Each county may provide for exemptions from the retail
7 sales tax for certain tangible personal property pursuant to the
8 adoption of rules under chapter 91 or the enactment of
9 ordinances.

10 (e) As used in this section, "retail sales" means the sale
11 at retail of tangible personal property from a retailer to a
12 consumer for end-use."

13 SECTION 3. New statutory material is underscored.

14 SECTION 4. This Act shall take effect on July 1, 2077.

Report Title:

Counties; Retail Sales Tax

Description:

Authorizes each county to establish a retail sales tax on sales of tangible personal property. (SD1)