
A BILL FOR AN ACT

RELATING TO A SURTAX.

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

1 SECTION 1. The purpose of this Act is to impose a surtax
2 on a state employee who earned regular wages paid with non-
3 general funds that were not reduced because of a furlough,
4 collective bargaining agreement, or general law. The surtax
5 rate is four per cent of the portion of the state employee's
6 regular wages that were paid with non-general funds. This
7 amount is intended to approximate the wage loss from one
8 furlough day a month. The legislature realizes that the surtax
9 base of certain "regular wages" differs from the income tax base
10 of "taxable income", but emphasizes that the difference is
11 intentional and appropriate to the public purpose being sought.

12 The legislature believes that the improvement of the state
13 economy requires the circulation of dollars. The legislature
14 finds that this circulation is inhibited when the wages of state
15 employees paid with non-general funds are effectively reduced
16 because of a furlough. The legislature further finds that the
17 furlough for these state employees should be lifted, with the



1 agreement of the appropriate state employers and exclusive
2 representatives, in order to infuse dollars into the economy.

3 The legislature, however, does not believe that state
4 employees paid with non-general funds should be made whole while
5 other state employees are laid off because of a lack of general
6 funds. The legislature intends to use the surtax proceeds to
7 continue the employment of state employees in general funded
8 positions who have been laid off or received reduction-in-force
9 notices.

10 The legislature finds that this arrangement will achieve
11 the infusion of dollars into the economy, maintenance of state
12 services jeopardized by state employee layoffs, and alleviation
13 of unemployment in the State.

14 SECTION 2. Chapter 231, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§231- Collection of surtax. (a) The director of
18 taxation may enter into a memorandum of agreement with any state
19 appointing authority for the transmittal directly to the
20 director of the surtax levied under section 235- on a state
21 employee under the appointing authority's jurisdiction.



1 Under such a memorandum of agreement, the state appointing
2 authority, with the permission of the state employee subject to
3 the surtax, shall:

4 (1) Retain from the state employee's regular wages payable
5 in each paycheck the percentage of the surtax under
6 section 235- ; and

7 (2) Transmit the retained surtax directly to the director
8 of taxation.

9 (b) This section shall be repealed on December 31, 2011."

10 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
11 amended by adding a new section to part III to be appropriately
12 designated and to read as follows:

13 "§235- Surtax on certain state employees whose regular
14 wages were paid from non-general funds and not reduced by
15 furlough, collective bargaining agreement, or general law. (a)

16 For the purpose of this section:

17 "Non-general funds" means special, trust, revolving, and
18 bond funds of the state government and federal funds expendable
19 by a state department or agency.

20 "Regular wages" means wages, as defined under section 235-
21 61, excluding overtime, differential, bonus, or supplementary
22 payments.



1 "State employee" means an employee of state government.

2 (b) There is imposed a surtax on every individual taxpayer
3 who meets all of the following criteria, whether the individual
4 taxpayer is unmarried, married, a surviving spouse, a head of
5 household, or a single or joint return filer:

6 (1) The individual taxpayer earned regular wages as a
7 state employee during a taxable year;

8 (2) All or part of the individual taxpayer's regular wages
9 earned as a state employee during the taxable year
10 were paid with non-general funds; and

11 (3) The regular wages as a state employee were not subject
12 to reduction during the taxable year because of
13 furlough, collective bargaining agreement, or general
14 law.

15 (c) For the taxable year beginning after December 31,
16 2009, the surtax shall equal four per cent of the individual
17 taxpayer's regular wages earned as a state employee and paid
18 with non-general funds during the taxable year.

19 For the taxable year beginning after December 31, 2010, the
20 surtax shall equal four per cent of the individual taxpayer's
21 regular wages earned as a state employee and paid with non-
22 general funds from January 1, 2011 to June 30, 2011.



1 (d) The surtax shall be additional to any other taxes due
2 and owing under this chapter and shall not be reduced by any
3 credit, deduction, or exclusion.

4 (e) The individual taxpayer shall pay the surtax with
5 other taxes due and payable under this chapter and file a return
6 as required by the director of taxation. If, as authorized
7 under section 231- , the individual taxpayer agrees to have
8 the taxpayer's appointing authority retain the surtax from the
9 taxpayer's paychecks and transmit the retained amount to the
10 director of taxation, the taxpayer shall be deemed to have paid
11 the surtax.

12 (f) The director of taxation shall establish policies,
13 procedures, and forms for the imposition, payment, collection,
14 and enforcement of the surtax.

15 (g) The director of taxation shall have the same powers
16 and duties to collect the surtax as applicable to the collection
17 of the income tax, to which the surtax is added. To the extent
18 applicable, all provisions of law concerning the collection and
19 appeal of the income tax, to which the surtax is added, and
20 penalties for delinquency or non-payment of the income tax shall
21 also apply to the surtax.



1 (h) All proceeds from the surtax shall be deposited into
2 the general fund.

3 (i) This section shall be repealed on December 31, 2011."

4 SECTION 4. (a) The applicable public employers for the
5 State and exclusive representatives of state employees are
6 requested to enter into a supplemental agreement to exempt from
7 any furlough those state employees subject to collective
8 bargaining whose regular wages are paid fully or partially with
9 non-general funds.

10 (b) The governor is requested to amend executive order no.
11 09-05 to exempt from any furlough those state excluded employees
12 whose regular wages are paid fully or partially with non-general
13 funds.

14 SECTION 5. New statutory material is underscored.

15 SECTION 6. This Act shall take effect upon its approval
16 and shall apply to taxable years beginning after December 31,
17 2009.

18

INTRODUCED BY: Calvin K. Y. Amy

JAN 27 2010

Report Title:

Income Surtax; Certain State Employees

Description:

Imposes for taxable years beginning after 12/31/2009 and ending on 12/31/2011, an income surtax on a state employee whose regular wages were paid with non-general funds and not reduced because of furlough, collective bargaining agreement, or general law. Sets the surtax at 4% of the state employee's regular wages that were paid from non-general funds.

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