

**SB 1611**

# LATE

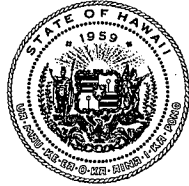
## Department of Taxation

### Position Summary

Senate Committee on Ways & Means/March 3, 2009

Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
SB 464 SD 1	TAX ADMINISTRATION	Support intent; strong concerns.	<p>*The Department supports the general concept of encouraging alternative energy technologies.</p> <p>*The Department has strong concerns with decoupling from the Internal Revenue Code Sections 469 and 704(b) as generally bad tax policy.</p> <p>*The Department supports the measure to the extent it is budgeted, which includes only the refundability for those with retirement income.</p>	Revenue loss of \$39.2 million annually.	<p>Solar energy tax credit amounted to \$4.1 million in 2008. It is assumed that making this tax credit refundable for certain taxpayers will increase this amount by 5% or \$0.2 million. Also, it is assumed 4,000 new single-family residential units will be built between now and 2010. The law requires these units to be built with solar energy. At the maximum \$2,250 tax credit per unit, the revenue loss will be about \$9 million.</p> <p>In addition, the deduction in "activity losses" in Section 469 could amount to \$500 million (our assumption due to lack of hard data) and reduce income tax revenues by \$30 million. (<math>\\$500 * 6\% = \\$30</math>).</p>
SB 698 SD 1	THE RENTAL MOTOR VEHICLE SURCHARGE TAX	Support	No technical comments.	Indeterminate	Indeterminate due to blank amounts.

SB 1611 SD 1	HIGHWAYS	Support; but prefer the original.	The Department defers to the Department of Transportation on the implementation and management of the legislation and incumbent tax and fee increases.	Revenue gain of: *\$127 million in Fiscal Year 2013, *\$140 million in Fiscal Year 2014, *\$142 million in FY2015.	Assuming that this bill takes effect on July 1, 2012, and that the growth in Highway Fund follows Fitch Ratings on November 2008 of 0.4% in FY 2009 and 2010, and 1.1% annually through Fiscal Year 2015, there would be a revenue gain of \$127 million in Fiscal Year 2013 (assumes a one month lag in collections), \$140 million in Fiscal Year 2014, and \$142 million in FY2015.
--------------	----------	-----------------------------------	--	---	--



**LATE**

Deputy Directors  
MICHAEL D. FORMBY  
FRANCIS PAUL KEENO  
BRIAN H. SEKIGUCHI  
JIRO A. SUMADA

IN REPLY REFER TO:

STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

March 3, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 1611, SD 1

COMMITTEE ON WAYS AND MEANS

**We support Senate Bill 1611 SD 1**, which provides the Department of Transportation (DOT) additional resources to accomplish our primary mission and goals by increasing the state liquid fuel tax, state vehicle registration fee, and state vehicle weight tax effective on July 1, 2012.

A sound transportation infrastructure system provides for the safe and efficient movement of people, services, and goods. It is the backbone of the economy and is essential to preserving our unique and precious quality of life.

This proposed infusion of funds will aid the Department in reducing the number of fatal accidents on our statewide highway system, preserving our existing infrastructure system, and reducing unacceptable congestion that detrimentally impacts the people of Hawaii and our economy. Without these tax and user fee increases, we make the untenable decision to accept business as usual, to accept our current safety records, to allow our transportation system to continue to deteriorate, and to accept ever greater and more widespread congestion all leading to increased cost of doing business and a diminished quality of life.

The deletion of the two dollar per day increase in the rental car surcharge from the original bill, however, reduces projected revenue generation by an estimated \$32 million annually with a corresponding reduction in additional bonding capacity of \$372 million. Some of the projects and programs identified in this bill as part of this overall modernization program would have to be scaled back and/or eliminated to account for such a \$372 million reduction in resources. The DOT feels that all the projects and programs identified in this bill are critical and essential. It is for this reason reinstatement of the two dollar per day increase in the rental car surcharge is respectfully requested in this bill.

We also request technical amendments to this bill as noted on the attachment to this testimony.

## PROPOSED DOT AMENDMENTS TO SB 1611, SD 1

Proposed amendments to Section 12 would remove references to DOTAX, authorize DOT to compensate participants in pilot programs to test alternatives to fuel taxes, and authorize DOT to adopt necessary rules. Proposed amendments to Sections 14 and 15 would clarify wording and correct references to other sections of the bill.

SECTION 12. The department of [~~taxation~~] transportation may refund motor vehicle fuel taxes paid by participants in pilot programs under section 3 of this Act. The department of [~~taxation~~] transportation may otherwise compensate participants in pilot programs under section 3 of this Act. Any compensation to participants in such pilot programs [~~under this Act~~] may be administered uniformly or may be administered as a sweepstakes. The department of [~~taxation~~] transportation may terminate a pilot program at any time and may terminate participation by any person at any time. Termination from a pilot program under this Act shall not entitle any person to additional compensation.

The department of transportation may adopt rules under Chapter 91 as necessary to administer section 3 and this section.

SECTION 14. In addition to other moneys appropriated by the General Appropriations Act of 2009 in fiscal year 2009-2010 for highway administration (TRN 595), highway planning, statewide, item no. C- , there is appropriated an additional sum of \$20,000,000 of highway revenue bonds, and the sum of \$1 of federal funds, of which \$6,000,000 may be [~~designated~~] used for the execution of a master agreement with a consultant under section 13, and [~~the~~] there is appropriated an additional sum of \$2,500,000 of highway revenue bonds, and the sum of \$1 of federal funds, which may be used for the [~~vehicle miles tax~~] pilot programs under [~~section 2 and 3~~] sections 3 and 12 of this Act, or so much thereof as may be necessary to carry out the purposes of this Act, including any necessary expenditures for expenses, staff, or consultants.

The sums appropriated shall be expended by the department of transportation. This project is deemed necessary to qualify for federal aid financing and reimbursement.

SECTION 15. If additional federal funds become available for land transportation infrastructure improvements, programs, or projects under the economic stimulus plan or similar program, the department of transportation is authorized to pursue, apply, and expend federal funds on any of the programs or projects identified in [~~section 12~~] this Act notwithstanding any other law to the contrary.