

Honolulu, Hawaii

FEB 14 2013

RE: S.B. No. 571
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committees on Transportation and International Affairs and Public Safety, Intergovernmental and Military Affairs, to which was referred S.B. No. 571 entitled:

"A BILL FOR AN ACT RELATING TO COUNTY SURCHARGE ON STATE TAX,"

beg leave to report as follows:

The purpose and intent of this measure is to allow a county that has established a surcharge on state taxes, as an alternative to the ten percent deduction for administrative costs, to reimburse the State for any costs incurred or expended by the State to assist that county to plan for a rapid transit system, including costs of transportation planning and historic preservation.

Your Committees received testimony in support of this measure from the Office of the City and County of Honolulu Mayor and one individual. Your Committees received testimony in opposition to this measure from one individual. Your Committees received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

According to testimony of the Department of Taxation:

- (1) If the Honolulu Authority for Rapid Transportation is granted authority to collect the surcharge, taxpayers would need to complete, file, and remit excise taxes separately to the State and the City and County of



Honolulu, which could result in added expenses to taxpayers and delays in collection;

- (2) The Department will not be able to implement the changes contained in this measure when this measure is approved; and
- (3) The Department anticipates commencing the development of a tax system modernization project before the end of the year. The project is the Department's highest priority and will require all available staff resources. Implementing the changes to remove the application of the surcharge from their current computer system and processes will be difficult at this time.

Your Committees are cognizant that the City and County of Honolulu was given the choice of assessing, collecting, and enforcing the surcharge at the time of hearings on Act 247, Session Laws of Hawaii 2005, which established the surcharge. The City and County of Honolulu preferred the State to administer the program due to a lack of county resources and expertise in collecting excise taxes. Hearings on this measure produced no testimony that the City and County of Honolulu has since developed that capability.

The amount of revenue collected from the ten percent deduction for administrative expenses in 2012 came to \$21,200,000 according to the Mayor of the City and County of Honolulu. However, testimony of the Department of Taxation indicated a significantly lesser amount. Immediate and accurate figures were not available. Your Committees believe that there needs to be a reasonable balance between the amount required by the City and County of Honolulu and the amount of actual administrative costs to the State in assisting the City and County to collect the surcharge.

Your Committees have amended this measure by:

- (1) Deleting the alternative for a county reimbursement for state costs for planning a locally preferred alternative to a mass transit project;
- (2) Deleting the provision that requires the Honolulu Authority for Rapid Transportation to collect the surcharge on state tax and reimburse the State for costs

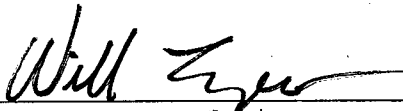


incurred or expended by the State to assist the City and County of Honolulu to plan for a rapid transit system;

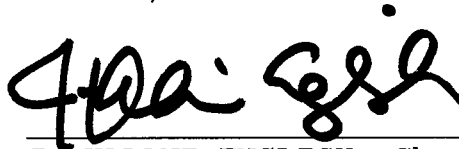
- (3) Specifying that the State's automatic deduction of the gross proceeds of a county's surcharge on state tax shall be six percent, rather than ten percent; provided that if the costs of assessment, collection, and disposition of the county surcharge on state tax increase, the State is authorized to amend its deduction, by adoption of administrative rules, to a percentage no greater than ten percent; and
- (4) Inserting an effective date to July 1, 2050, to encourage further discussion.

As affirmed by the records of votes of the members of your Committees on Transportation and International Affairs and Public Safety, Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 571, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 571, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Transportation
and International Affairs and
Public Safety,
Intergovernmental and Military
Affairs,



WILL ESPERO, Chair

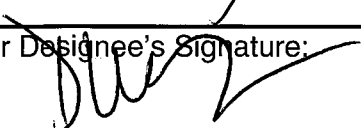


J. KALANI ENGLISH, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Transportation and International Affairs
TIA

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 571	TIA/PSM, WAM	2-11-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
ENGLISH, J. Kalani (C)	✓			
DELA CRUZ, Donovan M. (VC)	✓			
ESPERO, Will	✓			
GABBARD, Mike	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
SOLOMON, Malama	✓			
SLOM, Sam				X
TOTAL	8			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

