
A BILL FOR AN ACT

RELATING TO THE COUNTY SURCHARGE ON STATE TAX.

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

1 SECTION 1. Section 248-2.6, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) If adopted by county ordinance, all county surcharges
4 on state tax collected by the director of taxation shall be paid
5 into the state treasury quarterly, within ten working days after
6 collection, and shall be placed by the director of finance in
7 special accounts. Out of the revenues generated by county
8 surcharges on state tax paid into each respective state treasury
9 special account, the director of finance shall deduct [~~ten~~] five
10 per cent of the gross proceeds of a respective county's
11 surcharge on state tax to reimburse the State for the costs of
12 assessment, collection, and disposition of the county surcharge
13 on state tax incurred by the State. Amounts retained shall be
14 general fund realizations of the State."

15 SECTION 2. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.



1 SECTION 3. This Act shall take effect on July 1, 2013, and
2 shall be repealed on December 31, 2022.
3

INTRODUCED BY:

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H.B. NO. 1391

Report Title:

County Surcharge on State Tax; Reimbursement

Description:

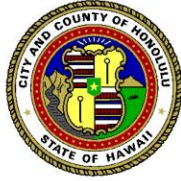
Reduces the amount deducted from the county surcharge on state tax to reimburse the State for costs of assessment, collection, and disposition from 10% to 5%.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 * HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 * FAX: (808) 768-4242 * INTERNET: www.honolulu.gov



KIRK CALDWELL
MAYOR

EMBER LEE SHINN
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE
COMMITTEE ON TRANSPORTATION
Monday, February 11, 2013, 10:00 a.m., Conference Room 309

HOUSE BILL 1391: RELATING TO THE COUNTY SURCHARGE ON STATE TAX
Position: In Support

To: The Honorable Ryan I. Yamane, Chair
and Members of the Committee on Transportation

The City & County of Honolulu strongly supports House Bill 1391, "Relating to The County Surcharge on State Tax".

House Bill 1391 proposes to reduce the amount deducted from the county surcharge on state tax to reimburse the State for the costs of assessment, collection, and disposition from 10% to 5%.

In order to build rail better, the City needs to be able to rely on timely and accurate payments from the State for the one half percent general excise tax (GET) surcharge collected from businesses doing business in the City & County of Honolulu.

The enabling law which authorized the City to adopt a GET surcharge specifies that the 10% fee shall be used "to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge on state tax incurred by the State ... the costs of assessment, collection, and disposition ... shall include any and all costs, direct or indirect, that are deemed **necessary and proper** to effectively administer this section..." (HRS Section 248-2.6(a)(c))(emphasis added).

In 2012, the fees collected (\$21.2 Million) amounted to nearly the entire budget to operate the State Tax Department (\$23.7 Million). The Legislature could not have intended to pay for nearly the entire operation of its Tax Department through the imposition of the 10% administrative fee taken off the top of the one-half percent GET surcharge. As such, the reduction of the 10% fee to 5% is reasonable, and will facilitate a more proper use of taxpayer's money, as the GET surcharge was originally intended.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact me at 768-4141.

TO: Members of the Committee on Transportation

FROM: Natalie Iwasa, CPA
Honolulu, HI 96825
808-395-3233

HEARING: 10 a.m. Monday, February 11, 2013

SUBJECT: HB 1391 Reduction of County Surcharge Fee to 5% - **SUPPORT with CHANGE**

Aloha Chair and Committee Members,

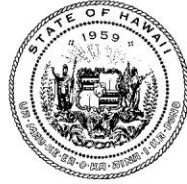
Thank you for allowing me the opportunity to provide testimony on HB 1391, which would change the administrative fee charged by the state to collect the county surcharge from 10% to 5%.

It was reported last year that the 10% reimbursement rate to collect the surcharge covered the entire cost of running the department of taxation. If that is the case, the reduction of the rate to 5% is still going to be significantly higher than the actual cost to administer the program. I therefore support the intent of this bill but ask legislators to consider setting a fixed fee that would reflect the actual cost.

In addition, consideration should be given to requiring the department of taxation to provide adequate information to taxpayers about penalties and interest included in late payment assessments. When the state first implemented the surcharge, taxpayers who paid late were provided the details of the amount of penalty and interest included in late payments. For the past several years, that has not been the case. (The state merely indicates a single amount due for the county surcharge.) It appears to me that taxpayers may be inadvertently deducting penalties because they do not have adequate information provided to them. The state may therefore be losing out on potential income tax revenues.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Ryan I. Yamane, Chair
and Members of the House Committee on Transportation

LATE

Date: Monday, February 11, 2013
Time: 10:00 a.m.
Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1391 Relating to the County Surcharge on State Tax

The Department of Taxation (Department) defers to the Department of Budget and Finance on the merits of H.B.1391. The Department offers the following comments for the committee's consideration.

H.B. 1391 reduces the amount to be deducted from the revenues generated by county surcharges on state tax paid from ten percent to five percent of the gross proceeds to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge on state tax incurred by the State. This measure will reduce the amount deposited into the State's general fund.

Due to the nature of the county surcharge tax (a surcharge on the State's general excise tax), the administration of the tax involves substantial resources of the entire Department, from customer service agents, auditors, collectors, accountants, and technical support staff and managers. Unlike other state taxes that apply uniformly to all counties, segregation and reporting of the surcharge for one county significantly adds complexity to the administration of the General Excise Tax for the Department. Needless to say, implementation of the surcharge required the Department to make a number of changes, including: conducting extensive public outreach to educate taxpayers about the surcharge, modification of the general excise and use tax forms, modification to the Department's computer system, changes to tax return processing procedures, and the changes to the reporting of tax collections.

Thank you for the opportunity to provide comments.