

---

---

## A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

**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 per~~  
10 ~~cent~~] a reasonable amount of the gross proceeds of a respective  
11 county's surcharge on state tax to reimburse the State for the  
12 costs of assessment, collection, and disposition of the county  
13 surcharge on state tax incurred by the State. Amounts retained  
14 shall be general fund realizations of the State."

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 Statutory material to be repealed is bracketed  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

17 SECTION 3. This Act shall take effect on July 1, 2013.



**Report Title:**

County Surcharge on State Tax; Reasonable Amount

**Description:**

Changes the State's automatic deduction of ten per cent of the gross proceeds of a county's surcharge on state tax to a deduction of a reasonable amount to reimburse the state for costs associated with handling the assessments, collection, and disposition of the county surcharge on state tax. Effective July 1, 2013. (HB364 HD1)

*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](http://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 364 HD1: RELATING TO TRANSPORTATION**

**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 364, HD1, "Relating to Transportation", which proposes to change the State's automatic deduction of ten per cent of the gross proceeds of a county's surcharge on state tax to a deduction of a reasonable amount to reimburse the state for costs associated with handling the assessments, collection, and disposition of the county surcharge on state tax.

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.

Currently, 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 a "reasonable amount", which 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  
Honolulu, HI 96825  
808-395-3233

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

SUBJECT: HB 364, HD1 Reduction of County Surcharge Fee - **SUPPORT with CHANGE**

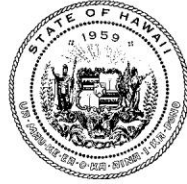
Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB 364, HD1, which would change the administrative fee charged by the state to collect the county surcharge from 10% to a "reasonable amount."

The 10% reimbursement rate to collect the surcharge is excessively high. I therefore support the intent of this bill but ask legislators to consider setting a fixed fee that would reflect the actual cost.

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

Date: Monday, February 11, 2013

Time: 10:00 a.m.

Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

**LATE**

Re: H.B. 364, H.D. 1 Relating to Transportation

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

H.B. 364, H.D. 1 amends the amount to be deducted from the revenues generated by county surcharges on state tax paid from ten percent to a reasonable amount 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 lacks clarity to determine the amount to be 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.