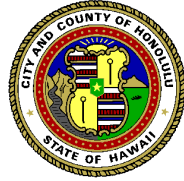


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TESTIMONY OF KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE
COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Friday, March 22, 2013, 10:30 a.m., Conference Room 312

**HOUSE CONCURRENT RESOLUTION 219, "REQUESTING THE OFFICE OF THE
AUDITOR TO CONDUCT AN AUDIT OF THE DEPARTMENT OF TAXATION TO
ADDRESS ANY ISSUES ASSOCIATED WITH THE COLLECTION OF THE 0.5
PERCENT COUNTY SURCHARGE ON THE STATE GENERAL EXCISE TAX."**

Position: In Support

To: The Honorable Clift Tsuji, Chair
and Members of the Committee on Economic Development & Business

The City & County of Honolulu strongly supports House Concurrent Resolution 219, "Requesting the Office of the Auditor to Conduct an Audit of the Department of Taxation to Address any Issues Associated with the Collection of the 0.5 Percent County Surcharge on the State General Excise 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 0.5% 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 Department of Taxation (\$23.7 Million). The Legislature could not have intended to pay for nearly the entire operation of its Department of Taxation through the imposition of the 10% administrative fee taken off the top of the 0.5% GET surcharge. Therefore, the State Department of Taxation's use of the 10% administrative fee of the 0.5% GET surcharge is not a proper use of taxpayers' money, as the GET surcharge was originally intended.

Furthermore, the Honolulu Authority for Rapid Transit (HART) has reported problems with the distribution services provided by the State Department of Taxation in terms of its timeliness and accuracy of surcharge payments to HART.

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.