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GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

March 4, 2015

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE SCOTT NISHIMOTO
AND MEMBERS OF THE HOUSE COMMITTEE ON FINANCE

SUBJECT: **H.B. 320, RELATING TO TAXATION.**

Repeals deadline for counties electing to establish a county surcharge on state tax to pass an ordinance to enact the surcharge. Increases maximum rate of surcharge from 0.5% to 1%. Allows counties with a population of 500,000 or less to use proceeds without restriction. Makes permanent the counties' authority to establish a surcharge on state tax.

Hearing

DATE: Wednesday, March 4, 2015
TIME: 3:00 P.M.
PLACE: Conference Room 211

Dear Chair Luke, Vice Chair Nishimoto and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of approximately five hundred eighty general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

The GCA is a supporter of the Honolulu Rail Transit project and supports its efforts to ensure the project is completed in its entirety. The funding of the project is the most crucial component to make certain that the project is delivered to the City and County of Honolulu and its residents. With that GCA supports all efforts in finding the most viable solution of funding available and the due diligence required in uncovering all options.

The GCA continues to support the Honolulu Rail Transit Project together with the concerted efforts of all parties involved to plan and construct the rail transit project. All parties must continue to work together to get this project delivered to the residents of the City and County of Honolulu. Rail will provide the most reliable, cost-efficient and convenient transportation pipeline between urban Honolulu and West Oahu.

GCA appreciates the opportunity to share its testimony.

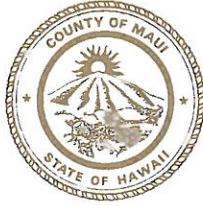
I oppose HB 320 allowing counties to impose the surcharge and to increase the surcharge from 0.5% to 1%.

The 0.5% is already regressive; 1% would be even more so.

The only less onerous reason for increasing the GET surcharge to 1% would be **if all unprocessed food is EXEMPTED from the entire GET (4.5% on O'ahu, 4% on other islands)** as is done in other states. Unprocessed food would include all fresh vegetables, fruits, fish, meat, eggs, milk (but not necessarily cheese). Processed foods would include all prepared deli foods, sodas, bottled water, baked goods etc. Restaurant meals and beverages would not be exempted.

Mahalo.

ALAN M. ARAKAWA
MAYOR



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Wailuku, Hawai'i 96793-2155
Telephone (808) 270-7855
Fax (808) 270-7870
e-mail: mayors.office@mauicounty.gov

OFFICE OF THE MAYOR

Ke'ena O Ka Meia
COUNTY OF MAUI – Kalana O Maui

TESTIMONY OF ALAN ARAKAWA, MAYOR COUNTY OF MAUI *aa*

BEFORE THE HOUSE COMMITTEE ON FINANCE

Wednesday, March 4, 2015
3:00 p.m.
Conference Room 308

HB 320 RELATING TO TAXATION

Honorable Sylvia Luke, Chair
Honorable Scott Y. Nishimoto, Vice Chair
Honorable Members of the House Committee on Finance

Thank you for this opportunity to offer testimony in **STRONG SUPPORT** of HB 320 relating to Taxation. This measure would repeal the deadline for counties electing to establish a county surcharge on state tax and increase the maximum rate of the surcharge from 0.5% to 1%.

As mayor of Maui County, I respectfully urge this body to pass this important measure and allow the counties the flexibility to add a surcharge of up to 1% on the state tax. This would be applied to both to consumers, both resident and visitors. As the population of Maui County continues to rise our options to address the ever-increasing costs needed to maintain our status as a world class destination remains limited. We rely primarily on real property taxes and it is an on-going struggle to keep our islands a safe and enjoyable place for both residents and visitors.

While we strongly support HB 320, we are opposing any measures dealing with the Transient Accommodations Tax (“TAT”). As I see it, it would be prudent to allow the “State-County Functions Working Group” to complete its work and that decision-making on TAT measures be **deferred** until the Working Group’s findings and recommendations can be considered.

The counties have a long history of fighting for what we consider to be our fair share of TAT from the state. Each year, the Mayors of each county return to the legislature to argue our case as percentages are lowered and caps established.

Luke, Chair, Finance Committee
HB 320
Testimony of Mayor Arakawa
March 4, 2015
Page 2 of 2

However, I agree with and appreciate the wisdom of the legislature which adopted Act 174, Session Laws of Hawaii (SLH) 2014, and created the "State-County Functions Working Group". This 13-member working group, led by Working Group Chair Simeon Acoba, is assigned the following responsibilities:

1. Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and,
2. Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax revenues between the state and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

By memorandum dated December 18, 2014, the Working Group submitted to the Honorable Joe Souki, Speaker of the House of Representatives, and its members, an interim report summarizing its activities of 2014 and its plans for 2015. A final report, which is to include the Working Group's findings and recommendations, is scheduled to be submitted prior to the 2016 Regular Session.

Again, I feel it would be prudent to allow the Working Group to continue its work, and that decision-making on TAT measures **be deferred** until the Working Group's findings and recommendations can be considered.

With regards to HB 320, I respectfully urge this body to pass this measure and allow the counties the option and flexibility to add a surcharge of up to 1% on the state tax.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 320

March 4, 2015

RELATING TO TAXATION

House Bill No. 320 does the following:

- Increases the half percent county surcharge on State tax to one percent;
- Makes the one percent county surcharge permanent;
- Allows the Counties of Hawaii, Kauai and Maui to adopt a one percent county surcharge with an open-ended enactment period;
- Authorizes the Counties of Hawaii, Kauai and Maui to expend the county surcharge receipts for any purpose deemed appropriate by the respective county.

The Department of Budget and Finance opposes increasing the county surcharge to one percent because, in effect, it amounts to a 25 percent increase in the general excise tax for the Neighbor Island counties and a 11.1 percent increase in the general excise tax for the City and County of Honolulu. The Department of Taxation (TAX) estimates that the counties could realize additional county surcharge revenues for FY 17 (the earliest that TAX could implement the increased county surcharge) as follows: the City over \$237 million; and the Neighbor Island counties over \$230 million.

We believe that the proposed increase to one percent goes well beyond the original intent of providing financial support for the City's rail project and for the Neighbor Island counties' transportation needs. Given the magnitude of the projected revenues and the removal of restrictions on the use of the county surcharge receipts for Neighbor Island counties, this bill has the appearance of turning the county surcharge into a de facto revenue sharing program.

However, when looking at responsibilities of the two levels of government in Hawaii, it should be recognized that the State has total responsibility for many functions that are performed or shared by local governments in most of the other states. The State pays all costs in connection with the public school system, libraries, public welfare, jails and judiciary. The counties' major areas of responsibility and expenditure are with respect to property-related services, i.e., police and fire protection, waste disposal, water and sewer facilities, and secondary streets. To fund county government services, the State Constitution grants the counties exclusive jurisdiction of the real property tax.

Finally, it should be noted that the general excise tax is the State's largest tax source representing about 46 percent (in FY 14) of general fund revenues. Increasing the county surcharge to one percent would severely limit the State's options to pursue additional general fund revenues from this source for a considerable period of time should the need arise in the future.

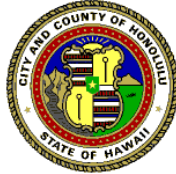
**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR



March 3, 2015

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
State House of Representatives
State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Aloha Chair Luke and Members of the Committee:

SUBJECT: Testimony on House Bill No. 320, Relating to Taxation

First, our sincere appreciation to the Speaker for sponsoring this bill and to the Finance Chair for moving this important and critical bill forward to the House Committee on Finance. The City and County of Honolulu stands in strong support of House Bill No. 320.

H.B. 320 allows all four Counties to consider adopting a surcharge to the State's general excise tax (GET). The Hawaii Council of Mayors, of which I am the Chairman this year, has submitted separate testimony on this bill. Honolulu's situation is unique in that we adopted the half-percent surcharge in 2004 when the opportunity was first presented to us and we have embarked on the construction of the Rail system. For that reason, this testimony is submitted separate from the other Counties and focuses on the circumstances unique to Honolulu.

Over the last two years, as Mayor of the City and County of Honolulu, I have worked with my City team and the Honolulu Authority for Rapid Transportation (HART) to construct a robust multi-modal transportation system that will provide travel options to Oahu's residents and visitors alike, particularly those who live, work, attend school and pass through Oahu's most densely congested leeward urban corridor. The surcharge to the GET has been a cornerstone of the project's financing. Without the surcharge Honolulu would not have reached this point of the Rail's development; without an extension to the 2022 scheduled sunset, the project will likely not be completed.

In 1977, the Oahu General Plan designated the Ewa region for a secondary urban center to be developed around a community known as Kapolei. Originally thousands of acres of barren land, today's Kapolei is a thriving and growing community of nearly 40,000, with more than 800 businesses employing over 27,000 local residents.

The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance
March 3, 2015
Page 2

The success of our plan to grow the Ewa region, build affordable homes and create jobs is evident today in the surface motor vehicle traffic which not only negatively impacts Kapolei, but families, businesses and communities outside Kapolei and beyond.

Building rail was a commitment to these local families, businesses and communities to provide fast, reliable and affordable public transportation options as an alternative to private automobile travel on congested surface roadways. The City likewise committed to plan, design and build transit-enhanced neighborhoods, where families, including seniors and those dependent on affordable public transportation, could age-in-place in dense neighborhoods without the need for a car. This commitment prioritized development along the rail line while respecting the wishes of those who wanted to "keep the country country."

We also made mutual commitments to our construction industry and unions, asking them to step-up and provide local skilled laborers in return for our promise to build rail and communities around rail, jobs that will be lost should we retreat on our commitments.

Traffic congestion on Oahu is at unacceptable levels. Building less than the twenty (20) mile twenty-one (21) station fixed guideway minimal operating segment (MOS), or worse, underfunding rail and forcing the cancellation of the project in whole, abdicates on the many commitments collectively made to the people of this great island. As Mayor, that is not my nature and I will continue to ask that we stand firm to our vision for a robust multi-modal transportation system on Oahu.

Building the Locally Preferred Alternative (LPA) by extending multi-modal transportation options to U.H. Manoa and Kapolei would be an even better solution. It adds new value to an extension of the GET and links Oahu's second city to the flagship campus of our UH system.

As Mayor of the City and County of Honolulu, we are committed to the rail project. We are building transit-enhanced neighborhoods with the necessary infrastructure to accommodate all modes of travel connecting with rail (pedestrian, bike, bus/handivan and motor vehicle). We are developing electronic fare media which will allow transit riders to make seamless connections between bus and rail using a common fare card (smart card). And, with a soon to be appointed task force, we are committed to studying all options of value capture mechanisms and an implementation time frame.

Sincerely,



Kirk Caldwell
Mayor



March 3, 2014

The Honorable Sylvia J. Luke, Chair
and Members
Committee on Finance
House of Representatives
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

The Hawai'i Council of Mayors (HCOM), strongly supports House Bill No. 320, Relating to Taxation.

H.B. 320 will provide an opportunity for each county to adopt a surcharge to the general excise tax (GET) up to 1% at the county level. As each county is unique, we appreciate the flexibility to use the revenues received from the GET surcharge as each County sees fit.

Real property taxes comprise the Counties main revenue stream, however increasing demands for additional county services require creativity to fund these much needed services. H.B. 320 allows the Counties an important tool to address these perpetual needs in a perpetual way.

For those reasons, we respectfully request the Committee to approve this measure. Thank you for your consideration.

Mayor Alan Arakawa
County of Maui

Mayor Kirk Caldwell
City and County of Honolulu

Mayor Billy Kenoi
County of Hawai'i

Mayor Bernard P. Carvalho, Jr.
County of Kaua'i



Mayor William Kenoi
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720



Mayor Kirk Caldwell
City and County of Honolulu
530 South King Street
Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.
County of Kauai
4444 Rice Street
Lihue, Hawaii 96766



Mayor Alan Arakawa
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 2:54 PM
To: FINTestimony
Cc: cfrith@fbsmgt.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/3/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Cynthia Frith	TimeOutHonolulu	Oppose	Yes

Comments: Strongly oppose!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 11:16 AM
To: FINTestimony
Cc: davidthompsonhawaii@gmail.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/3/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
David Thompson	Individual	Oppose	No

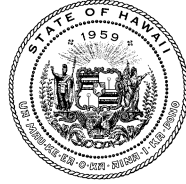
Comments: I strongly oppose HB320.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

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

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Wednesday, March 4, 2015
Time: 3:00 P.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 320 Relating to Taxation

The Department of Taxation (Department) provides the following comments regarding H.B. 320 for your consideration.

H.B. 320 eliminates the December 31, 2005 deadline for counties to adopt an ordinance to levy a county surcharge on state tax; amends the effective date of the county surcharge on state tax for counties, adopting an ordinance to levy a county surcharge on state tax after July 1, 2015, to no earlier than January 1 of the year succeeding the adoption of the authorizing ordinance; and allows counties with a population of five hundred thousand or less to expend the amounts received from the State for any purposes deemed appropriate by the respective county. H.B. 320 also increases the rate of the surcharge on state tax from no greater than one-half percent to one percent of all gross proceeds and gross income taxable under General Excise Tax (GET) Law, and Use Tax Law. This measure also makes permanent the counties' authority to establish a surcharge on state tax.

The Department notes that at the present time, only the City and County of Honolulu has established a surcharge on the GET and Use Tax, and that the rate of the surcharge is one half of one percent. If the Legislature wishes to allow the counties to also establish a surcharge, the Department requests that the measure mandate that the surcharge rate be the same for all counties. Different surcharge rates will create administrative and enforcement issues. Different surcharge rates are also likely to cause taxpayers to improperly source their income to the county with the lowest rate. If the respective county surcharges are imposed at the same rate there will be no incentive for a taxpayer to improperly source their income.

If the Legislature wishes to allow the counties to also establish a surcharge, the Department requests that the measure mandate that the surcharge rate be the same for all counties. Different surcharge rates will create administrative and enforcement issues. Different surcharge rates are also

likely to cause taxpayers to improperly source their income to the county with the lowest rate. If the respective county surcharges are imposed at the same rate, there will be no incentive for a taxpayer to improperly source their income.

This measure has an effective date of July 1, 2015; however, due to the substantial number of changes that must be done to the forms, instructions and computer system, the Department requests that the counties affirm their adoption of the surcharge by December 31, 2015, and the effective date be no earlier than January 1, 2018. The Department will not be able to implement the required system changes without sufficient notice and time to plan and develop these changes. As such, section 46-16.8 (a) (2), HRS, should be amended as follows:

"**[\$46-16.8] County surcharge on state tax.** (a) Each county may establish a surcharge on state tax at the rates enumerated in sections 237-8.6 and 238-2.6. A county electing to establish this surcharge shall do so by ordinance; provided that:

(1) No ordinance shall be adopted until the county has conducted a public hearing on the proposed ordinance;

(2) The ordinance shall be adopted prior to December 31, [~~2005~~] 2015; and

(3) No county surcharge on state tax that may be authorized under this section shall be levied prior to January 1, [~~2007~~] 2018."

Thank you for the opportunity to provide comments.

COUNTY COUNCIL

Mel Rapozo, Chair
Ross Kagawa, Vice Chair
Mason K. Chock
Gary L. Hooser
Arryl Kaneshiro
KipuKai Kualii
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Ricky Watanabe, County Clerk
Jade K. Fountain-Tanigawa, Deputy County Clerk

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Council Services Division
4396 Rice Street, Suite 209
Lihue, Kauai, Hawaii 96766

March 3, 2015

**TESTIMONY OF JOANN A. YUKIMURA
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
HB 320 RELATING TO TAXATION
Committee on Finance
Wednesday, March 4, 2015
3:00 p.m.
Conference Room 308**

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to submit testimony in opposition of HB 320, Relating to Taxation and the County Surcharge on the State Excise Tax. I am writing in my capacity as an individual member of the Kauai County Council and Chair of the Housing & Transportation Committee.

As presently written, this Bill would remove the sunset date for the City and County of Honolulu's surcharge on state tax for rail and would re-instate the neighbor island counties' authority to levy a county surcharge on state tax. Although I support extending the excise tax surcharge option to neighbor island counties, I do not support the language allowing counties with a population of 500,000 or less to use the proceeds without any restrictions. I strongly encourage the Committee to allow the original language to stand, with one exception. The original language requires any revenues generated to be used for "public transportation systems, including public roadways or highways, public buses, trains, ferries, pedestrian paths or sidewalks, or bicycle paths." Please remove the word "ferries" which is not a form of land transportation and is not a cost-effective substitute for land transportation.

Neighbor Island Land Transportation Systems Deserve Funding Support Similar to the City and County of Honolulu; Growth of Neighbor Island Economies is Important to the State of Hawaii.

Granting the neighbor island Counties the same option as the City and County of Honolulu to raise revenues for public transportation is both timely and fair. The neighbor islands are at the approximate stage of development as was the City and County of Honolulu in the 1950's and 1960's. If the neighbor island Counties can learn from the City and County of Honolulu's experience and use current best practices to develop land transportation systems that are more multi-modal,¹ the Counties may be able to avoid some of the mistakes and dilemmas that

¹ I.e., based the "Complete Streets" approach giving balanced support to all modes of land travel: foot, bike, bus and vehicle.

have haunted Honolulu. On Kaua'i, it will be difficult, if not impossible, to grow our land transportation system without an earmarked source of funding.

A smooth functioning land transportation system is essential for economic growth. A community stymied in gridlock cannot grow or prosper.² Land transportation is an economic driver, and the State, by virtue of its interest in neighbor island economic growth, has a large stake in well-functioning land transportation systems on the neighbor islands. By authorizing the Counties to levy a limited excise tax surcharge and by earmarking the revenues for land transportation, the State will be addressing one of its most pressing issues—traffic and transportation. The earmark will also limit and strategically focus the counties' expenditures on the economic driver that is pivotal for both the State and the Counties, thereby helping to generate more excise taxes.

Earmarking Excise Tax Revenues for Transportation is a Better Public Policy Choice than Allowing the Revenues to be Added to a County's General Fund for General Purposes.

The excise tax is a regressive tax that disproportionately burdens the lower income and workforce families. It would seem egregious to use these revenues, for example, to offset visitor impacts; using Transient Accommodation Tax (TAT) revenues to offset visitor impacts makes much more sense. Funding collective bargaining increases or solid waste expenses off the backs of poor and middle class families is equally bad. It would be wiser to use the counties' other sources of revenues such as the progressive real property tax system or user fees, which, if used in a "Pay As You Throw ("PAYT") framework will help to reduce garbage and promote re-use and recycling as well as raise revenues. Nor should affordable housing be funded from a regressive tax; more logical sources with a greater nexus are real property taxes from high valued investment properties, conveyance tax surcharges on the conveyance of high priced investment properties, inclusionary zoning and tax credits.

Multi-modal land transportation, especially public transportation, is the best use of the excise tax surcharge revenues. While the excise tax is regressive, those who shoulder the greatest impact will be the greatest beneficiaries if the tax is earmarked for bus expansion and operations.

Earmarking Neighbor Island County Surcharge on State Tax for Transportation Can Nonetheless Increase General Purpose Revenues for the Budgets of Neighbor Island Counties.

The Counties have been clamoring for more revenues in general. Earmarking the neighbor island County surcharge on State tax can increase the availability of General Fund monies because using the excise tax surcharge revenues for transportation will free up certain amounts of General Fund and County Highway Fund revenues that are presently being used to fund the public transportation systems on the neighbor islands. This will help the neighbor island

² In addition to being the number one complaint of visitors in a recent Kaua'i Visitor Bureau exit survey, traffic congestion is fueling a large anti-development sentiment on Kaua'i. Residents are legitimately asking, "How can the County approve more development when we are caught in a daily gridlock and spend hours on the road right now?"

Chair Luke and Members of the Committee
RE: HB 320 Relating to Taxation
March 3, 2015
Page 3

Counties balance their budgets and avoid severe cuts to programs and positions. It is a “win-win” for transportation and for balancing the budget.

Summary:

In authorizing the neighbor island Counties to levy an excise tax surcharge, the State will be foregoing the excise tax option for itself for several years. By earmarking the revenues for transportation that includes buses, bikeways, sidewalks and motorized vehicles, the State will be funding one of its priorities—economic growth. Without a well-functioning land transportation system on each neighbor island, neighbor island growth will be in jeopardy. This will enable the Counties to address this pressing and pivotal issue with a multi-modal approach.

At the same time, earmarking the excise tax revenues for transportation will offer the possibility of freeing up General Fund and County Highway Fund monies currently used for public transportation for other needs.

Earmarked for public transportation, the excise tax surcharge revenues will be a wise investment in the future that will promote economic development, lower the household costs of transportation and protect the environment by reducing fossil fuel use and greenhouse gas production. Allowed to be used for anything, the generated revenues will be at risk to be used for lowering property taxes or may be subject to poor management decisions and practices—while inflicting the greatest harm on lower income and working class families.

For the reasons stated above, I respectfully ask the Committee on Finance to hold this measure or amend it to reflect the original language of Act 247 (2005) currently present in SB 19, SD 1. Thank you for this opportunity to provide input. Should you have any questions, please feel free to contact me at (808) 652-3988 or jjukimura@kauai.gov.

Sincerely,



JOANN A. YUKIMURA
Councilmember, Kaua'i County Council

AB:aa

COUNTY COUNCIL

Mel Rapozo, Chair
Ross Kagawa, Vice Chair
Mason K. Chock
Gary L. Hooser
Arryl Kaneshiro
KipuKai Kualii
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March 3, 2015

**TESTIMONY OF KIPUKAI KUALII
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
HB 320, RELATING TO TAXATION
Committee on Finance
Wednesday, March 4, 2015
3:00 p.m.
Conference Room 308**

Dear Chair Luke and Members of the Committee:

Thank you for this opportunity to submit testimony in support of HB 320, relating to taxation and the county surcharge on state tax. My testimony is submitted in my capacity as an individual member of the Kauai County Council and as Chair of the Economic Development / Intergovernmental Relations Committee.

In 2005, the counties were provided the opportunity to levy a county surcharge on state tax for public transportation. However, the counties were only allowed a specific amount of time to implement such tax. Throughout the years, each County's needs have changed and through extensive discussion, the Hawaii Council of Mayors (HCOM) believed it was time to allow other counties wishing to establish a county surcharge on state tax to do so by way of ordinance. HCOM also recommends increasing the surcharge rate from one half percent (0.5%) to one percent (1%), allowing counties with a population of 500,000 or less to use proceeds without restriction, and making the county surcharge on state tax permanent.

Each island has its own specific needs, and levying a county surcharge on state tax to be used for important government services will support overall economic growth. The use of these funds will assist the County of Kauai with many important projects including the expansion of the transportation system, road improvements, landfill improvements, and much more.

I support the direction of HCOM and respectfully ask the Committee on Finance to support this measure as well. Again, thank you for this opportunity to submit testimony. If you have any questions, please feel free to contact the Office of the County Clerk, Council Services Division, at (808) 241-4188.

Sincerely,

KIPUKAI KUALII
Councilmember, Kauai County Council

AB:mn

I am a member of the citizen group, TimeOut! Honolulu and am **most strongly opposed** to any change to the Honolulu rail project GET amount or expiration date until the City and HART have provided the State Legislature with sufficient and reliable data that allows you to make an informed decision based on a fair cost benefit analysis of what is best for the **citizens**, not for the developers, unions or banks.

As you are fully aware, the GET is an extremely regressive tax, placing the heaviest burden on our fellow citizens with the lowest incomes. Increases should never be considered or approved without extensive due diligence on The Legislature's part.

Therefore, I respectfully ask that you seek accountability and transparency from the City and HART on the following;

1. An annual audit of all rail moneys spent from 2007 through 2014.
2. Contractor bids on the remaining 10 miles of the project so the overall cost of the project is clearer.
3. A rigorous, objective assessment and clear statement of the project's impact on traffic congestion, including the unfortunate Ho'opili development that will add so much congestion while destroying our best agriculture land that is much needed for sustainability.
4. A rigorous, objective assessment of the impact rail will have on our fine bus system, with thousands of bus riders daily transferring to rail, its budget pinched and routes cancelled.
5. A rigorous, objective assessment of the rail ridership projections, including the number of new residents needed in the TOD areas to meet the rail ridership projections.
6. A rigorous, objective analysis of less expensive but very viable alternatives, such as bus rapid transit on managed lanes, Pearl Harbor bridge/tunnel, etc

Please, do not be stampeded into making the situation worse by accepting the thin and manipulative claims of impending bankruptcy by the City and HART. Experience tells us their projections are at best unreliable, and at worst they are purposefully evasive, incomplete, overly optimistic and possibly outright lies.

Defer action on these bills, take a TimeOut! for the next year and complete the proper reviews, giving the City and HART and most importantly we, the citizens, time to make their cases and to consider responsible alternatives.

Sincerely,

Mark A. Torreano
Waikiki

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 10:36 PM
To: FINTestimony
Cc: morrismcm@hawaiiantel.net
Subject: *Submitted testimony for HB320 on Mar 4, 2015 15:00PM*

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Melvin Morris	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 2:29 PM
To: FINTestimony
Cc: michelematsuo@yahoo.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/3/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
michele matsuo	Time out honolulu	Oppose	Yes

Comments: Dear madam Chair and members of the committee , Thank you for this opportunity to testify. I strongly oppose HB 320. The Tax Foundation calculated the taxes paid by each person including children as a result of the Rail surcharge and it is \$200 per person, Per year. This would double it to \$400 per person per year, and potentially lead to imposing it in perpetuity. So instead of taxing Oahu taxpayers for just 16 or 17 years, x \$200, or \$3200-3400 each, you would impose with HB 320 a tax on our young people of potentially \$360,000 each if they live 90 years more, before adjusting for inflation. For a very iffy antiquated technology transit system which has failed to account for the funds received? Please vote No on HB 320! Thank you ! Respectfully submitted, Michele Matsuo

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 2:59 PM
To: FINTestimony
Cc: alohanan@me.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/3/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Nancy Nagamine	Individual	Oppose	No

Comments: Strongly oppose.

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TO: Members of the Committee on Finance

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

HEARING: 3 p.m. Wednesday, March 4, 2015

SUBJECT: HB 320, County Surcharge Increase and Extension - **OPPOSED**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB 320, which would allow Honolulu to increase and extend the county general excise surcharge tax in perpetuity as well as give the other counties the option to have a surcharge up to 1%. I oppose this measure.

The general excise tax and related **surcharge are regressive and hit low-income residents the hardest**. That means that a higher percentage of their already very-limited money goes to the tax. Many residents are struggling to get by paycheck to paycheck, and an extension of this tax will continue to make it hard for people to make ends meet. An increase from .5% to 1% would only compound the problem.

In addition, allowing all of the counties the option to create surcharges will make it more difficult for small businesses that operate throughout the state. They will need to modify their accounting systems and require more time to properly report their revenue.

Mayor Caldwell has stated several times that he supports this tax because 33% of it is paid for by visitors. It's important to note he is using an eight-year-old study that applies only to the statewide GET. In order to determine how much visitors contribute toward the GET and its related surcharge on Oahu, we should be looking at visitor expenditures on Oahu.

According to the 2013 data book for Hawaii, visitor expenditures on Oahu have been about 50% from 2007 - 2013. It stands to reason then, that the amount **visitors have contributed** to the surcharge is about 50% of the statewide number, or **about 16% - 17%**.

We were told over and over again that the surcharge would be temporary -- that it would sunset at the end of 2022.

I urge you to vote "**NO.**"

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, County surcharge imposition

BILL NUMBER: HB 320

INTRODUCED BY: Souki by request

EXECUTIVE SUMMARY: This bill, introduced at the request of the mayors, would allow any county to adopt or add to the surcharge on the Hawaii general excise tax. The bill would allow the tax to increase from 4% to 5%. Honolulu would need to use the money for rail, but any other county could use the money for any purpose. Caution should be exercised before allowing the counties to pile on any further upon our most regressive tax.

BRIEF SUMMARY: Amends HRS section 46-16.8 to allow any county to impose a surcharge on state tax by ordinance; provided that for any ordinance that is adopted after July 1, 2015, the director of taxation shall not levy, assess, collect, or administer the county surcharge on state tax earlier than January 1 of the year succeeding the adoption of the ordinance. A county with a population of less than 500,000 may use the surcharge revenue for any purpose deemed appropriate by the respective county. Removes the provision prohibiting any county from imposing a surcharge on state tax after December 31, 2005.

Amends HRS sections 237- 8.6 and 238-2.6 to provide that the rate of the surcharge shall not exceed 1%.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: This measure would allow any county to impose a county surcharge on state tax of up to 1% at any time. A 1% surcharge added to the existing 4% general excise tax would result in a 25% increase in the general excise tax rate. It will not only increase the cost of living in the state but also increase the cost of doing business. Thus, businesses must build the added cost of the additional surcharge into their overhead and, therefore, it must be recovered in the cost of the goods and services they sell. The general excise tax is perhaps the worst tax to add on to because of its broad-based application. Increases in the cost of living, as well as the cost of doing business in the state, will drive more and more businesses out of operation and with them the jobs Hawaii's people need. This additional surcharge just makes it worse for everyone as the cost of food, shelter, clothing, transportation and every other essential household item will increase making it harder for all families to survive. Residents of Honolulu already know what such an increase can do the price of goods and services as a result of the 0.5% transit surcharge.

Lawmakers should remember that Hawaii's general excise tax is not a retail sales tax which is imposed only at the time of purchase for final consumption and then only on goods. Other states do not tax services which in Hawaii accounts for 60% of the general excise tax base. In fact, for those who believe Hawaii should restructure the general excise tax to be like a retail sales tax, they should know that in order to generate the same \$2.7 billion the general excise tax generates at the 4% rate, the retail sales tax

structure would require a tax rate of 11%. And if food is exempted from the base, as it is in California, the retail sales tax rate would have to be nearly 17% to generate the same amount of money.

Again, lawmakers and taxpayers should remember that businesses must also pay the general excise tax on all the goods and services they use in their daily operation and if an additional surcharge is imposed, that added cost must be recovered in the goods and services that businesses sell to their customers. Thus, not only will the rate go up at the register, but the shelf price of the box of cereal or bag of rice will also increase because the cost of the overhead of that business must be recouped and the only way that businesses can do that is to raise the price of the goods and services they sell.

More importantly, because the general excise tax is a tax on gross income, the business will try to recover as much of the cost of the tax it passes on to the customer. As Oahu taxpayers learned when the 0.5% surcharge on the general excise tax for transit went into effect, the amount passed on to the customer went not from 4% to 4.5% but the charge went from 4.166% to 4.712%. Thus, the tax rate actually passed on will be more than the nominal 5% everyone believes will be imposed; it will go to 5.263%. Again, such an increase will ripple through the economy and into the cost of all goods and services purchased by residents and visitors alike.

Just last year, in 2014, the legislature, by Act 174, provided that the counties will receive \$103 million in fiscal 2015 and fiscal 2016, and \$93 million in fiscal 2017 and thereafter, pending the report of a blue-ribbon panel that was to study the county impact and render its final report before the opening of the 2016 legislature.

The blue-ribbon panel has not yet completed its work. At best, this measure is premature.

Digested 3/3/15

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 11:13 AM
To: FINTestimony
Cc: robert.retherford@hawaiiintel.net
Subject: *Submitted testimony for HB320 on Mar 4, 2015 15:00PM*

HB320

Submitted on: 3/3/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

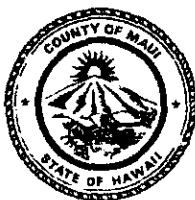
Submitted By	Organization	Testifier Position	Present at Hearing
Ursua Retherford	Individual	Oppose	No

Comments:

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ALAN M. ARAKAWA
MAYOR



200 South High Street
Wailuku, Hawai'i 96793-2155
Telephone (808) 270-7855
Fax (808) 270-7870
e-mail: mayors.office@mauicounty.gov

OFFICE OF THE MAYOR

Ke'ena O Ka Meia

COUNTY OF MAUI - Kalana O Maui

**TESTIMONY OF ALAN ARAKAWA, MAYOR
COUNTY OF MAUI**

BEFORE THE HOUSE COMMITTEE ON FINANCE

Wednesday, March 4, 2015

3:00 p.m.

Conference Room 308

HB 320 RELATING TO TAXATION

Honorable Sylvia Luke, Chair

Honorable Scott Y. Nishimoto, Vice Chair

Honorable Members of the House Committee on Finance

Thank you for this opportunity to offer testimony in **STRONG SUPPORT** of HB 320 relating to Taxation. This measure would repeal the deadline for counties electing to establish a county surcharge on state tax and increase the maximum rate of the surcharge from 0.5% to 1%.

As mayor of Maui County, I respectfully urge this body to pass this important measure and allow the counties the flexibility to add a surcharge of up to 1% on the state tax. This would be applied to both to consumers, both resident and visitors. As the population of Maui County continues to rise our options to address the ever-increasing costs needed to maintain our status as a world class destination remains limited. We rely primarily on real property taxes and it is an on-going struggle to keep our islands a safe and enjoyable place for both residents and visitors.

While we strongly support HB 320, we are opposing any measures dealing with the Transient Accommodations Tax ("TAT"). As I see it, it would be prudent to allow the "State-County Functions Working Group" to complete its work and that decision-making on TAT measures be deferred until the Working Group's findings and recommendations can be considered.

The counties have a long history of fighting for what we consider to be our fair share of TAT from the state. Each year, the Mayors of each county return to the legislature to argue our case as percentages are lowered and caps established.

Luke, Chair, Finance Committee
HB 320
Testimony of Mayor Arakawa
March 4, 2015
Page 2 of 2

However, I agree with and appreciate the wisdom of the legislature which adopted Act 174, Session Laws of Hawaii (SLH) 2014, and created the "State-County Functions Working Group". This 13-member working group, led by Working Group Chair Simeon Acoba, is assigned the following responsibilities:

1. Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and,
2. Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax revenues between the state and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

By memorandum dated December 18, 2014, the Working Group submitted to the Honorable Joe Souki, Speaker of the House of Representatives, and its members, an interim report summarizing its activities of 2014 and its plans for 2015. A final report, which is to include the Working Group's findings and recommendations, is scheduled to be submitted prior to the 2016 Regular Session.

Again, I feel it would be prudent to allow the Working Group to continue its work, and that decision-making on TAT measures **be deferred** until the Working Group's findings and recommendations can be considered.

With regards to HB 320, I respectfully urge this body to pass this measure and allow the counties the option and flexibility to add a surcharge of up to 1% on the state tax.

I am a resident of Ewa Beach and urge the House to pass HB 134 and HB 320, the extension of the GE Rail Tax.

The rail transit project is critical to our island's future. Right now whenever we want to go somewhere, we have to plan everything around the traffic on our highways and freeways. It is getting to be a smaller window every year. Traffic gridlock is a way of life on our island. Neighborhoods are so choked with cars that it's becoming impossible to park your car when you get home after work or get an ambulance in to take care of you when you have an emergency. Why in the world would we want more of the same for our future. I want something better for our families and for our businesses. It is not going to get better without changing to a different way to get us to our destinations.

The rail transit project offers us a way to plan future development so that it takes advantage of rail hubs or stations to provide transportation rather than adding more cars to already crowded neighborhoods. It offers a way to preserve and protect our island from the onslaught of more and more cars and constantly worsening traffic. And it benefits everyone, not just the people who live in areas serviced by the rail transit system. By taking traffic off our highways, the people who still use their cars to commute from other neighborhoods will find the drive much easier. Trucks that supply our businesses will find it much easier to deliver their goods.

No one on our island seems to like change but sometimes change brings real improvement to our lives. If the rail's contracts for new stations are coming in higher than they originally estimated, think about the reason for it. It's not that our rail management team is incompetent, it is because our economy is doing well for a change, after years of declining land and home prices and salary cuts or layoffs. With economic growth comes higher prices and that will affect the cost of the rail contracts. But, let's be honest, our economic growth isn't a bad thing! Don't abandon the most important improvement for our island since building roads from Honolulu to Kaneohe, or constructing the reef runways. Stick with it and support the rail transit system. We will all benefit and you will feel the satisfaction of knowing that you did something really important to our future.

With respect, -Bruce Bonbright

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 28, 2015 4:14 PM
To: FINTestimony
Cc: anthony_orozco@yahoo.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 2/28/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Anthony Orozco	Individual	Oppose	No

Comments: Repeal unneeded taxes.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 3:16 PM
To: FINTestimony
Cc: ramelbb001@hawaii.rr.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Ben Ramelb	Individual	Oppose	No

Comments: - Deception by Formby, Caldwell and HART regarding total Honolulu rail project cost: - The original total rail cost stated during the Hannemann administration was at \$3.2 Billion from Kapolei to UH Manoa and Waikiki. This low total cost was publicized widely to gain public support for rail. The price was revised upward to \$5.3 Billion and then to \$6 Billion which was publicized by the city. Mr. Kwan HART chairman boasted that "no bonds are needed and the rail was fully funded - Now, Formby and Mayor Caldwell say they have no intention of telling the legislators or the public what the final cost of rail will be. The major reason why the Mayor and Formby do not want to publicize the rail cost is that the cost could be so high that the legislature and Governor will not approve extension of the 0.5% GET surcharge. - For example, a two mile San Francisco rail project cost \$2.0 Billion or \$1.0 Billion per mile. The Honolulu rail cost could rise up to \$1 Billion per mile or \$20 Billion for 20 miles to Ala Moana Center. See cost projection for Oahu rail by LaVonda Atkinson, a program cost control analyst for 20 years (last 8 minutes of video).
<https://www.youtube.com/watch?v=OsC-EPJLNF8&feature=youtu.be>.

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This bill discriminates against Honolulu and violates the equal protection provision of our US Constitution. You should modify it to allow all counties to use the excise tax "without restrictions." The monies collected in Honolulu for transit can then be put to more effective uses for developing a real alternative, using Bus Rapid Transit as the foundation.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 1:36 PM
To: FINTestimony
Cc: yanom@hawaiiantel.net
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Eloise M. Yano	Individual	Oppose	No

Comments: STRONG OPPOSITION

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HOUSE OF REPRESENTATIVES
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015

TESTIMONY to

House Committee on Finance

Rep. Sylvia Luke, Chair Rep. Scott Y. Nishimoto, Vice Chair

Members: Romy M. Cachola, Ty J.K. Cullen, Lynn DeCoite, Aaron Ling Johanson, Jo Jordon, Jarrett Keohokalole, Bertrand Kobayashi, Nicole E. Lowen, Gene Ward
Richard H. K. Onishi, James Kunane Tokioka, Kyle T. Yamashita, Feki Pouha,

HB 320 RELATING TO TAXATION.

Wednesday, March 4, 2015 3:00 PM - State Capitol Conference Room 308

Submitted in **OPPOSITION** by: Fern Mossman, HI 96734 HD 50

I agree with the following article. Please stop this boondoggle.

After eight years, the rail project is failing.

With only two miles and no stations constructed, and having chosen one of the most remote and least reliable train manufacturers - Ansaldo, we are now told that the remaining available funds are insufficient to finish the rail project.

The city wants taxpayers to come up with the additional billions that would be required to finish rail. The only question is whether to extend the excise tax surcharge, which is already costing a typical family \$800 per year, or raise property taxes.

In light of the above, Council members and Legislators need to take a timeout and take a hard look at where we are and how we got here.

Accordingly, we are asking our elected representatives to demand accountability and transparency on the following topics before considering any further taxes or loans.

1. Let's see an annual audit of all rail moneys spent thus far starting in 2007 through 2014.
2. Let's see contractor bids on the remaining 10 miles of the project so we know the price of the project in 2015 dollars.
3. Let's see a clear statement of facts about the project's projected impact on the current level of traffic congestion.
4. Let's see a clear statement of exactly how the city will force thousands of bus riders daily to transfer to rail. Let's be clear on the number of new residents needed in the TOD areas to meet the current projected rail ridership.
5. Let's see a clear-headed analysis of less expensive viable alternatives, such as bus rapid transit on managed lanes.

Please vote NO on HB 320

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 12:40 PM
To: FINTestimony
Cc: fccadizpal@aol.com
Subject: *Submitted testimony for HB320 on Mar 4, 2015 15:00PM*

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
fred	Individual	Oppose	No

Comments:

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IN REPLY REFER TO:
CMS-AP00-01133

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

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Donald G. Horner
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Michael D. Formby
Ford N. Fuchigami
William "Buzz" Hong
Keslie W.K. Hui
Damien T.K. Kim
Carrie K.S. Okinaga, Esq.

Statement of
DANIEL A. GRABAUSKAS
Executive Director and CEO, Honolulu Authority for Rapid Transportation
before the

HOUSE COMMITTEE ON FINANCE

Wednesday, March 4, 2015
3:00 p.m.
State Capitol, Conference Room 308

In consideration of
HB 320
RELATING TO TAXATION

Chair Luke, Vice Chair Nishimoto, and Members of the House Committee on Finance,

The Honolulu Authority for Rapid Transportation (HART) supports House Bill 320, which amongst other amendments, makes permanent the county surcharge on state tax.

HART believes eliminating or extending the general excise tax (GET) sunset date of December 31, 2022, is the best option to meet multiple goals. These goals are: (1) to eliminate the current projected deficit; (2) start immediate plans for extensions to the University of Hawaii at Manoa and downtown Kapolei; and (3) create an equitable source of operating subsidy, one-third of which is paid for by visitors to our island.

The Full Funding Grant Agreement (FFGA) provided the City and County of Honolulu (City) with \$1.55 billion in Federal New Starts funding. The FFGA also states the City has an obligation to complete this project under the time frame specified in the agreement (20 miles, 21 stations, 80 rail vehicles) regardless of any financial challenges the City might encounter. If the City defaults on this agreement, then the City could face even greater fiscal challenges, including repayment of these Federal funds.

HART's major contracts must be advertised by the end of this year and awarded by mid-2016 to stay on schedule. Staying on schedule is critical to prevent costly delays and to comply with the terms of the FFGA. According to State law, Hawaii Revised Statutes Section 103D-309 and Hawaii Administrative Rules Section 3-122-102, pertaining to HART's contracts, the City must have funding in place before HART can award contracts to complete the project. No contracts can be awarded without funding in place.

In addition, Honolulu's construction costs are among the highest in the nation, and rising. HART has consulted with a wide spectrum of the construction industry, including experts who track construction prices across the country as well as here in Hawaii. All projections lead us to believe that construction costs are expected to increase 12% to 15% each year over the next two years. Pushing the project schedule back will mean higher bids and higher costs. For example, on a billion-dollar contract, with these projections, simply waiting a year will cost our taxpayers more than \$120 million to \$150 million with no benefit. Time is money and this is particularly true in the construction field.

Based upon the legal necessity to have funding in place in order to sign contracts, coupled with rapidly rising market costs that are beyond our control, we believe eliminating or extending the sunset on the GET now is the best course of action.

Thank you for this opportunity to submit written testimony.



IN REPLY REFER TO:
CMS-AP00-01132

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

BOARD OF DIRECTORS

Ivan M. Lui-Kwan, Esq.
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Robert Bunda
Michael D. Formby
Ford N. Fuchigami
William "Buzz" Hong
Keslie W.K. Hui
Damien T.K. Kim
Carrie K.S. Okinaga, Esq.

Statement of
IVAN LUI-KWAN
Chair of the Board of Directors of the
Honolulu Authority for Rapid Transportation
before the

HOUSE COMMITTEE ON FINANCE

Wednesday, March 4, 2015
3:00 p.m.
State Capitol, Conference Room 308

In consideration of
HB 320
RELATING TO TAXATION

Chair Luke, Vice Chair Nishimoto, and Members of the House Committee on Finance,

The Board of Directors of the Honolulu Authority for Rapid Transportation (HART) supports House Bill 320, which, among other things, makes permanent the counties' authority to establish a surcharge on state tax.

The HART Board of Directors favors and supports legislative measures which seek to increase the amount of the county surcharge on state tax revenues that will be paid to the City and County of Honolulu for HART to construct the Honolulu Rail Transit Project.

Please find attached Resolution 2015-3 stating the HART Board of Directors' position.

Thank you for this opportunity to provide written testimony.

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2015-3

**REGARDING THE POSITION OF THE BOARD OF DIRECTORS OF THE
HONOLULU AUTHORITY FOR RAPID TRANSPORTATION ON THE COUNTY
TAX SURCHARGE PROCEEDS COLLECTED BY THE STATE OF HAWAII FOR
THE HONOLULU RAIL TRANSIT PROJECT**

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended; and

WHEREAS, with the enactment of Act 247, Hawaii Session Laws 2005, the Hawaii State Legislature authorized the City and County of Honolulu to levy a surcharge of one-half percent on the state general excise and use taxes by ordinance to fund operating or capital costs of a locally preferred alternative (LPA) for a mass transit project, and expenses in complying with the Americans with Disabilities Act of 1990 with respect to such project; and

WHEREAS, on August 10, 2005, the Honolulu City Council passed Ordinance 05-027 which established the one-half percent surcharge to be collected by the State beginning January 1, 2007; and

WHEREAS, through the approval of Ordinance 07-001, the Honolulu City Council selected a fixed guideway system as the LPA for the Honolulu High-Capacity Transit Corridor Project (now known as the Honolulu Rail Transit Project or HRTP); and

WHEREAS, Ordinance 07-001 requires that the LPA be financed only by general excise and use tax surcharge revenues, interest earned on the revenues, and any federal, state, or private revenues; and

WHEREAS, during the Twenty-Eighth State Legislature (2015-2016), there will be various legislative measures introduced and discussed relating to the county surcharge on state general excise tax; and

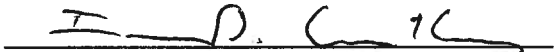
WHEREAS, in order to meet current and future financial needs of the HRTP, assurance of additional county surcharge amounts for building the HRTP will enhance HART's ability to avoid using funds from the Federal Transit Administration's Urbanized Area Formula Program (49 U.S.C. §5307), and without adversely impacting the city and county of Honolulu's fiscal status;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. The HART Board of Directors favors and supports legislative measures which seek to increase the amount that will be paid to the City for HART of the county surcharge on state tax revenues to construct the HRTP; and

2. The HART Executive Director and CEO is authorized to submit testimony on pertinent legislation consistent with the overall policies set forth herein; and
3. This Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on
JAN 29 2015.


Board Chair

ATTEST:


Board Administrator

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 10:49 AM
To: FINTestimony
Cc: info.mustard.seed.faiith@gmail.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Jim Anderson	Individual	Oppose	No

Comments: Dear Hawaii State Legislators: I was born and raised in this beautiful state. I strongly oppose the building of this mass rail transit. It is going to cost us tax payers way too much and the sad part is that it is not going to solve our traffic problems. This is not Tokyo where they have over 13 million people in that small area - and nearly everyone takes rail/bus/train. Oahu has a population less than 1 million and most people still want to take their cars. We will not have the ridership nor can we afford this. Please stop this rail project now. It is going to be a 20 year nightmare which is not going to resolve our traffic problem. Thank you! Respectfully, Jim Anderson

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 12:57 PM
To: FINTestimony
Cc: joanne.amberg@gmail.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Joanne Amberg	Individual	Oppose	No

Comments: Please do not saddle the tax payers with the wrong approach (rail) to our traffic problems. There are other solutions that will not require the constant bail outs from tax payers, and that will be more useful for our island transportation needs. Fixed rail is NOT the solution.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 10:26 AM
To: FINTestimony
Cc: joelflach@yahoo.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Joel Flach	Individual	Oppose	No

Comments: I strongly oppose HB320 and the surcharge to fund rail. Rail seems to have increased costs and problems that will only grow. However, if it has to be funded I think it should be funded by an increase in gas taxes. Many states are turning to gas tax increases for revenue in light of the drop in gas prices. (<http://www.npr.org/2015/02/10/383789378/failing-bridges-taking-a-toll-some-states-move-to-raise-gas-tax>). People who are contributing to the traffic problems (ie drivers) should bear the brunt of the cost for traffic "solutions". Increased gas prices also encourage people to reduce consumption and bike, walk, car pool, take the bus, or ride a train instead. Low gas prices decrease use of mass transit (<http://www.wsj.com/articles/transit-agencies-brace-for-low-gas-prices-to-siphon-away-riders-1422470065>). It's not fair that people already part of the solution (bikers, walkers, bus riders, etc.) should have to pay more for food and other necessities through an increased GET/surcharges.

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HB320 Testimony

Hawaii currently has a general excise tax which is unique in the nation. The tax is on the businesses at every level of transaction from the manufacturer, to the jobber, wholesaler and retailer in addition to any business that provides a service. This tax is set up so that the everyday essentials for living such as food, clothing, shelter and medical care are all taxed. Doesn't matter your level of income, it's all taxed. On top of that, the business has to collect tax on top of the tax resulting in the 4.166% for neighbor islands and 4.712% here on Oahu.

Via the Tax Foundation of Hawaii says that the amount of tax collected in the various steps if converted to a single step collection sales tax on the consumer instead of the business, the sales tax percentage would be 10% which makes it one of, if not the highest in the nation (<http://www.tfhawaii.org/cols/2011/100211.shtml>) . If the tax rate goes to 5%, the effective rate will be 5.26%. I don't know the specific conversion, but I would imagine that if the total amount collected by the GET was converted at that rate, a sales tax would be around 12-13% due to the compounding which would definitely make us the highest in the nation.

For that reason, I am against any increase in the GET as the total percentage collected from the public affecting the basic living necessities would just be too large.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 01, 2015 8:45 PM
To: FINTestimony
Cc: joe.carbone@hawaiiantel.net
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/1/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph Carbone	Individual	Oppose	No

Comments: Enough with the taxes already! Why throw good money after bad for this misconception? It will cater to few, cost way too much to maintain without raising taxes in the future, and will do little next to nothing to alleviate traffic congestion. Who can say how much this will actually cost the taxpayer? My guess, according to past ventures of the same ilk in other places, at least 2 1/2 times more than originally forecast. Stop it now and don't waste any more taxpayers money.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 7:10 AM
To: FINTestimony
Cc: margeneayers@hotmail.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Margene Ayers	Individual	Oppose	No

Comments: The original tax is already a burden. Doubling the tax is wrong. Taxpayers are overburdened by this rail project. We must stop any further taxes and stop the rail now. Cut our losses. This project can not be funded by such a small base of taxpayers. Stop rail now.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 12:46 AM
To: FINTestimony
Cc: marijane@mac.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Marijane Holmes Carlos	Individual	Oppose	No

Comments: Hawaii currently has a general excise tax which is unique in the nation. The tax is on the businesses at every level of transaction from the manufacturer, to the jobber, wholesaler and retailer in addition to any business that provides a service. This tax is set up so that the everyday essentials for living such as food, clothing, shelter and medical care are all taxed. Doesn't matter your level of income, it's all taxed. The Tax Foundation of Hawaii says that the amount of tax collected in the various steps if converted to a single step collection sales tax on the consumer instead of the business, the sales tax percentage would be 10% which makes it one of, if not the highest in the nation. In other words, we are already over taxed on things we ALL need and use. For that reason, I am against any increase in the GET as the total percentage collected from the public affecting the basic living necessities would just be too large.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 11:44 AM
To: FINTestimony
Cc: macpro3000@yahoo.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Melvin Ah Ching	Individual	Oppose	No

Comments: TESTIMONY IN OPPOSITION TO HB 320 Dear Committee Members: I am one of the many thousands of people in Hawaii who are opposed to the rail project In Honolulu. I also OPPOSE HB 320 which “repeals deadline for counties electing to establish a county surcharge on state tax to pass an ordinance to enact the surcharge. Increases maximum rate of surcharge from 0.5% to 1%. Allows counties with a population of 500,000 or less to use proceeds without restriction. Makes permanent the counties' authority to establish a surcharge on state tax.” This is a bill to fund Honolulu’s ailing rail project which the City & County of Honolulu has shown that it cannot afford and is already close to \$1 billion over budget. Therefore this project needs to be stopped and all funding be cut. Hawaii is already one of the most expensive states to live in and do business. The taxpayers cannot afford a sweeping tax hike such as this to fund rail or even fund neighbor island counties. Passing this bill is a slippery step to further degradation of our income. Time to kill and shelve HB 320 once in for all. Your “no vote” or indefinite deference of HB 320 will be appreciated by the voter taxpayers. Aloha, MEL

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As I drive through Kailua each day I cannot help but to notice the many people who walk our streets as homeless and those that stand around either waving their arms or speaking to imaginary friends. Our State Legislature spends an astronomical amount of our money for Social Welfare. The Cato Institute reported a Single Mother of two can receive almost \$50,000 per year in benefits. This has to be one of the highest in the Nation. I see this all in Kailua which has one of the highest per capita incomes in all of Hawaii and I cannot imagine what I might see in other areas around Oahu. Is it worse? I figure it has got to be. In addition there are deplorable roads, declining infrastructure are all around us and those of us who choose to remain in Hawaii pay the highest taxes in the Nation. Why on earth are we progressing with the Rail? The Rail cannot be to the betterment of the majority when all around us there is so much decay and suffering. Is anyone listening? I pray they are.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 4:04 PM
To: FINTestimony
Cc: MSMatson@hawaii.rr.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Matson	Individual	Oppose	No

Comments: STOP THE BLEEDING !!!!! BURY THIS BILL !!

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 1:45 PM
To: FINTestimony
Cc: mygarcia1@hawaiiantel.net
Subject: *Submitted testimony for HB320 on Mar 4, 2015 15:00PM*

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Garcia	Individual	Oppose	No

Comments:

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Sent: Monday, March 02, 2015 1:19 PM
To: FINTestimony
Cc: patmeyers@hawaii.rr.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
PAT Meyers	Individual	Oppose	No

Comments: THIS HART WILL BANKRUPT HONOLULU- THINK WHAT IT WILL LOOK LIKE IN DOWNTOWN HONOLULU THIS IS A LOSING SITUATION.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 2:25 PM
To: FINTestimony
Cc: patriciacarroll@sprynet.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Carroll	Individual	Oppose	No

Comments: This bill just extends the rail tax. Do not give this rail project additional money. It seems as if the requests for additional funds for rail will never end. The taxpayers will have a debt that can never be repaid. Who is looking out for the taxpayers? We can not afford this project so stop it now if it can not be completed with the money already allocated.

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Sent: Monday, March 02, 2015 2:38 PM
To: FINTestimony
Cc: g3sea@hotmail.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Paul Perretta	Individual	Oppose	No

Comments: I oppose HB 320 for the following reasons : 1. The Rail project was poorly planned and mismanaged and is an incredibly ugly blight on our Aina. 2. The Rail Project is a frightening \$1 Billion over budget at 1/20 th it's planned length. 3. Local families should NOT be penalized by higher taxes as a result of the gross mistakes and mismanagement made by the City Administration and HART. It would be far cheaper to stop it now than in the future and save the City, State and Local families the escalating and frightening Fiscal predictions of some \$8-\$10 Billion !

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Sent: Sunday, March 01, 2015 9:54 PM
To: FINTestimony
Cc: pearl@hawaii.rr.com
Subject: *Submitted testimony for HB320 on Mar 4, 2015 15:00PM*

HB320

Submitted on: 3/1/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Pearl Hill	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 1:37 PM
To: FINTestimony
Cc: rfl208@gmail.com
Subject: Submitted testimony for HB320 on Mar 4, 2015 15:00PM

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Leong	TimeOutHonolulu)	Oppose	No

Comments: I strongly oppose HB320 and any extension of the Rail Tax. A house of cards has been built with each card imposing massive debt or taxes on the residents of Honolulu. Giving HART and the City an extension of the Rail Tax it would be like handing them an unlimited number of cards which they can add to the already shaky house of cards anytime they need more money for Rail. I'm sure you, the members of this committee, would not want your name associated with the crashing of the house of cards. By handing HART and the City these unlimited number of cards, which they'll surely use as the cost overruns for Rail continue to mount, will certainly put you and your good name at risk. Don't do it.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 02, 2015 3:56 PM
To: FINTestimony
Cc: tomor@hotmail.com
Subject: *Submitted testimony for HB320 on Mar 4, 2015 15:00PM*

HB320

Submitted on: 3/2/2015

Testimony for FIN on Mar 4, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
tom moore	Individual	Oppose	No

Comments:

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March 4, 2015

The Honorable Sylvia Luke, Chair

House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 320, Relating to Taxation

HEARING: Wednesday, March 4, 2015 at 3:00 p.m.

Aloha Chair Luke, Vice-Chair Nishimoto, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,400 members. HAR **strongly opposes** H.B. 320, which allows the counties to adopt a county surcharge on the General Excise Tax (GET) of up to 1.0%.

HAR believes that, in the current economic environment, businesses and residents are particularly sensitive to additional financial burdens, and economic conditions continue to pose daunting challenges into the foreseeable future. An additional county surcharge increase in the GET will be especially burdensome for low-income families, who have the least ability to afford a new tax that would apply so broadly to a family's basic needs such as food, medicine, and clothing. Increasing the tax burden will do nothing to stimulate the economy and restore our economic vitality.

While the GET rate may seem low relative to the sales tax rate assessed in other states and municipalities, studies have shown that, with the pyramiding effect, the effective rate is considerably higher. A 0.5% increase, equivalent to a 12.5% increase in the tax rate, raises the stated rate to 4.5% (county surcharge from 4.0% to 4.5%), but increases the effective rate even more drastically. A 1.0% increase, equivalent to a 25% increase in the tax rate, raises the state rate to 5.0% (county surcharge from 4.0% to 5.0%).

Consumers can ill afford this tax increase at this time. **The GET in Hawaii is applied to 160 of 168 good and services, the most of any state in the nation.** Our citizens cannot afford a 12.5% increase in their general excise tax burden, when they are struggling today to afford other necessities.

HAR also notes that studies reveal that Hawaii's population is aging and, in fact, we rank 12th among all states in the percentage of population ages 65 and over. We all know that the demographic shift towards an older population will accelerate in the years to come. Our senior citizens have worked hard all their lives and now rely on their retirement incomes to

survive the ever increasing cost of living in Hawaii. These seniors cannot afford to have their fixed retirement incomes reduced by a tax on those incomes.

While raising the GET is the most effective means of increasing revenues for the Counties, we first should look towards reducing the expenses before we look to raise the revenues to match the expenses. We just cannot continue to place the burden of rising costs on already overtaxed citizens.

Mahalo for the opportunity to testify in strong opposition to this measure.