

JAN 20 2017

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that transportation costs  
2 for the city and county of Honolulu and the State are annual  
3 recurring costs that will continue as long as the State's  
4 population and need for roads continue to grow. Maintaining  
5 public transportation through the bus system and fixing the  
6 public roads and highways are constant expenditures the State  
7 and counties fund each budget cycle. With the current  
8 construction of the rail transit system on Oahu, transportation  
9 costs are the largest government expense of the city and county  
10 of Honolulu. When completed, the rail transit system will be  
11 the most expensive public works project built in the State,  
12 which will improve mobility for Oahu residents and  
13 transportation infrastructure to support a growing economy.  
14 Millions of tourists are also expected to utilize the rail  
15 transit system on an annual basis, which will help to pay for  
16 yearly maintenance costs and help to relieve some of the traffic  
17 congestion on the State's roads and highways.



1           The legislature further finds that the discussion about  
2 building a rail transit system on Oahu included a route along  
3 the Honolulu urban core that connected west Oahu to the  
4 University of Hawaii at Manoa. When the University of Hawaii at  
5 Manoa is in session, traffic increases because the university is  
6 a major employment center and thousands of students attend  
7 classes each day.

8           The intent of this Act is to create a mechanism to pay for  
9 the rail transit system to be completed from west Oahu to the  
10 University of Hawaii at Manoa, without having to raise the gas  
11 tax, vehicle weight tax, or vehicle registration tax in the  
12 future.

13           The purpose of this Act is to:

14           (1) Authorize the city and county of Honolulu to extend  
15           the county surcharge on state tax beyond December 31,  
16           2027;

17           (2) After the completion of the mass transit project,  
18           permit counties to use the surcharge on state tax for  
19           operation and maintenance of the mass transit project,  
20           existing public transportation, or public road and  
21           highway repairs;



1 (3) Deduct one-third of the amount from the gross proceeds  
2 of a county's surcharge on state tax to reimburse the  
3 State for costs associated with handling the  
4 assessment, collection, and disposition of the county  
5 surcharge on state tax and fund various state  
6 transportation projects; and

7 (4) Repeal the sunset date of the county surcharge on  
8 state tax established pursuant to section 46-16.8,  
9 Hawaii Revised Statutes.

10 SECTION 2. Section 46-16.8, Hawaii Revised Statutes, is  
11 amended as follows:

12 1. By amending subsection (b) to read:

13 "(b) Each county that has established a surcharge on state  
14 tax prior to [+]July 1, 2015, [+] under authority of subsection  
15 (a) may extend the surcharge [~~from January 1, 2023, until~~]  
16 beyond December 31, 2027, at the same rates. A county electing  
17 to extend this surcharge shall do so by ordinance; provided  
18 that:

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



1 (2) The ordinance shall be adopted prior to July 1,  
2 [2016~~7~~] \_\_\_\_\_, but no earlier than July 1, 2015.

3 A county electing to exercise the authority granted under  
4 this subsection shall notify the director of taxation within ten  
5 days after the county has adopted an ordinance extending the  
6 surcharge on state tax. Beginning on January 1, 2023, the  
7 director of taxation shall levy, assess, collect, and otherwise  
8 administer the extended surcharge on state tax."

9 2. By amending subsection (e) to read:

10 "(e) Each county with a population greater than five  
11 hundred thousand that adopts or extends a county surcharge on  
12 state tax ordinance pursuant to subsection (a) or (b) shall use  
13 the surcharges received from the State for:

14 (1) Capital costs of a locally preferred alternative for a  
15 mass transit project; ~~[and]~~ provided that, after the  
16 full completion of the mass transit project, the  
17 county surcharge on state tax may be used to:

18 (A) Operate and maintain the mass transit project;

19 (B) Support public transportation systems already in  
20 existence prior to July 12, 2005; and

21 (C) Repair public roads or highways; and



1           (2) Expenses in complying with the Americans with  
2           Disabilities Act of 1990 with respect to paragraph  
3           (1).

4 ~~[The county surcharge on state tax shall not be used to build or~~  
5 ~~repair public roads or highways, bicycle paths, or support~~  
6 ~~public transportation systems already in existence prior to July~~  
7 ~~12, 2005.] For the purposes of this subsection, "full~~  
8 ~~completion" means a rail transit system that connects from at~~  
9 ~~least Kalaeloa airport to the University of Hawaii at Manoa~~  
10 ~~campus."~~

11           SECTION 3. Section 237-8.6, Hawaii Revised Statutes, is  
12 amended by amending subsection (b) to read as follows:

13           "(b) Each county surcharge on state tax that may be  
14 adopted or extended pursuant to section 46-16.8 shall be levied  
15 beginning in the taxable year after the adoption of the relevant  
16 county ordinance; provided that no surcharge on state tax may be  
17 levied:

18           (1) Prior to:

19           (A) January 1, 2007, if the county surcharge on state  
20           tax was established by an ordinance adopted prior  
21           to December 31, 2005; or



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1 (B) January 1, 2018, if the county surcharge on state  
2 tax was established by the adoption of an  
3 ordinance after June 30, 2015, but prior to July  
4 1, 2016; and

5 (2) After December 31, 2027[-], unless the county extends  
6 the surcharge on state tax pursuant to section 46-  
7 16.8(b)."

8 SECTION 4. Section 238-2.6, Hawaii Revised Statutes, is  
9 amended by amending subsection (b) to read as follows:

10 "(b) Each county surcharge on state tax that may be  
11 adopted or extended shall be levied beginning in the taxable  
12 year after the adoption of the relevant county ordinance;  
13 provided that no surcharge on state tax may be levied:

14 (1) Prior to:

15 (A) January 1, 2007, if the county surcharge on state  
16 tax was established by an ordinance adopted prior  
17 to December 31, 2005; or

18 (B) January 1, 2018, if the county surcharge on state  
19 tax was established by the adoption of an  
20 ordinance after June 30, 2015, but prior to July  
21 1, 2016; and



1           (2) After December 31, 2027[-], unless the county extends  
 2           the surcharge on state tax pursuant to section 46-  
 3           16.8(b)."

4           SECTION 5. Section 248-2.6, Hawaii Revised Statutes, is  
 5 amended by amending subsection (a) to read as follows:

6           "(a) If adopted by county ordinance, all county surcharges  
 7 on state tax collected by the director of taxation shall be paid  
 8 into the state treasury quarterly, within ten working days after  
 9 collection, and shall be placed by the director of finance in  
 10 special accounts. Out of the revenues generated by county  
 11 surcharges on state tax paid into each respective state treasury  
 12 special account, the director of finance shall deduct [~~ten per~~  
 13 ~~cent~~] one-third of the gross proceeds of a respective county's  
 14 surcharge on state tax [~~to~~]:

15           (1) To reimburse the State for the costs of assessment,  
 16           collection, and disposition of the county surcharge on  
 17           state tax incurred by the State[~~— Amounts retained~~  
 18           ~~shall be general fund realizations of the State.~~]; and

19           (2) For transportation projects in the State, including  
 20           building or repairing public roads or highways, and  
 21           other transportation costs."



1 SECTION 6. Act 247, Session Laws of Hawaii 2005, as  
2 amended by Act 240, Session Laws of Hawaii 2015, is amended by  
3 amending section 9 to read as follows:

4 "SECTION 9. This Act shall take effect upon its approval;  
5 provided that:

6 (1) If none of the counties of the State adopt an  
7 ordinance to levy a county surcharge on state tax by  
8 December 31, 2005, this Act shall be repealed and  
9 section 437D-8.4, Hawaii Revised Statutes, shall be  
10 reenacted in the form in which it read on the day  
11 prior to the effective date of this Act;

12 (2) If any county does not adopt an ordinance to levy a  
13 county surcharge on state tax by December 31, 2005, it  
14 shall be prohibited from adopting such an ordinance  
15 pursuant to this Act, unless otherwise authorized by  
16 the legislature through a separate legislative act;  
17 and

18 (3) If an ordinance to levy a county surcharge on state  
19 tax is adopted by December 31, 2005[+]

20 ~~(A) The]~~, the ordinance shall be repealed on December  
21 31, 2022; provided that the repeal of the





1 ordinance shall not affect the validity or effect  
 2 of an ordinance to extend a surcharge on state  
 3 tax adopted pursuant to Act 240, Session Laws of  
 4 Hawaii 2015 [7

5 ~~(B) This Act shall be repealed on December 31, 2027,~~  
 6 ~~and~~

7 ~~(C) Section 437D-8.4, Hawaii Revised Statutes, shall~~  
 8 ~~be reenacted in the form in which it read on the~~  
 9 ~~day prior to the effective date of this Act,~~  
 10 ~~provided that the amendments made to section~~  
 11 ~~437D-8.4, Hawaii Revised Statutes, by Act 226,~~  
 12 ~~Session Laws of Hawaii 2008, as amended by Act~~  
 13 ~~11, Session Laws of Hawaii 2009, and Act 110,~~  
 14 ~~Session Laws of Hawaii 2014, shall not be~~  
 15 ~~repealed.], or Act \_\_\_\_\_, Session Laws of Hawaii~~  
 16 2017."

17 SECTION 7. Statutory material to be repealed is bracketed  
 18 and stricken. New statutory material is underscored.

19 SECTION 8. This Act shall take effect on January 1, 2018.

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INTRODUCED BY: Will Eyo



S.B. NO. 576

Michelle D. Sidani

Paul Rhoads

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# S.B. NO. 576

**Report Title:**

Public Transit; County Surcharge on State Tax

**Description:**

Authorizes a county with a population greater than 500,000 to extend the county surcharge on state tax beyond December 31, 2027. After full completion of the mass transit project, permits counties to use the surcharge on state tax for operation and maintenance of the mass transit project, existing public transportation, or public road and highway repairs. Deducts one-third of the amount from the gross proceeds of a county's surcharge on state tax to reimburse the State for costs associated with handling the assessment, collection, and disposition of the county surcharge on state tax and fund various State transportation projects. Repeals the sunset date of the county surcharge on state tax levied by the city and county of Honolulu. Takes effect January 1, 2018.

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

