

STAND. COM. REP. NO.

684

Honolulu, Hawaii

February 17, 2017

RE: H.B. No. 180

H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 180, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO EDUCATION FUNDING,"

begs leave to report as follows:

The purpose of this measure is to provide a funding mechanism for the most urgent fiscal needs of the Department of Education by establishing a surcharge tax on residential investment properties and visitor accommodations, the proceeds of which would be deposited into the newly created Education Special Fund and used to develop and deliver instructional services to students in accordance with statewide education policies, subject to the ratification of a state constitutional amendment.

The Hawaii State Teachers Association, Democratic Party of Hawaii, Education Caucus of the Democratic Party of Hawaii, IMUAlliance, Parents for Public Schools of Hawaii, Hui for Excellence in Education, Hawaii Public Charter Schools Network, Special Education Advisory Council, Hawaii Children's Action Network, Americans for Democratic Action, and numerous individuals testified in support of this measure. The Hawaii Housing Finance and Development Corporation, County of Kauai Department of Finance, Hawaii County Office of the Mayor, Rental by Owner Awareness Association, Hawaii Association of Realtors, American Resort Development Association, Wyndham Vacation Ownership,

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Coalition for Equal Taxation, The Chamber of Commerce Hawaii, Maui Chamber of Commerce, Hawaii Lodging & Tourism Association, Maui Hotel & Lodging Association, Kohala Coast Resort Association, Building Industry Association of Hawaii, Bridges to Paradise Rentals, Inc., EAH Housing, Inc., and several individuals testified in opposition. The Department of Budget and Finance, Department of Education, State Public Charter School Commission, City and County of Honolulu, and Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by:

- (1) Specifying that an owner of a property shall respond to the county Director of Finance's request to file a return within thirty days of the county's mailing of the request; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Should the Committee on Finance consider this measure, your Committee respectfully requests that the Committee on Finance consider two concerns:

- (1) Your Committee received testimony that the proposed residential property surcharge tax would adversely affect low income housing units. The Hawaii Housing Finance and Development Corporation and Hawaii State Teachers Association were requested to develop proposed amendments to the measure that would avoid the adverse impacts; and
- (2) Your Committee notes that the purpose of the education surcharge is not consistent with the authorized expenditures of the Education Special Fund. A reconciliation may be necessary.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 180, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 180, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



SCOTT Y. NISHIMOTO, Chair



