

STAND. COM. REP. NO.

620

Honolulu, Hawaii

February 17, 2017

RE: H.B. No. 349
H.D. 1

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

Sir:

Your Committee on Transportation, to which was referred H.B. No. 349 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize a county that has established a county surcharge on state tax to make the surcharge permanent;
- (2) Reduce the rate of the surcharge from 0.5 percent to 0.375 percent after December 31, 2022;
- (3) Reduce the amount deducted from the county surcharge on state tax to reimburse the State for costs of assessment, collection, and disposition from 10 percent to 5 percent; and
- (4) Require counties to provide matching funds in order to receive surcharge proceeds.

The Office of the Mayor of the City and County of Honolulu, Honolulu City Council, Hawaii State AFL-CIO, Hawaii Laborers-Employers Cooperation and Education Trust, Kapolei Chamber of Commerce, Bikeshare Hawaii, Ironworkers Stabilization, Building

HB349 HD1 HSCR TRN HMS 2017-2347



Industry Association of Hawaii, Hawaii Government Association, AFSCME Local 152, AFL-CIO, and several individuals supported this measure. The Honolulu Authority for Rapid Transportation, Pacific Resource Partnership, Chamber of Commerce Hawaii, and Hawaii Construction Alliance supported the intent of this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by:

- (1) Authorizing a county that has established a surcharge on state tax prior to July 1, 2015, to extend the surcharge until December 31, 2057, rather than in perpetuity, provided that the county adopts an ordinance to extend the surcharge before July 1, 2018;
- (2) Authorizing a county that has not established a surcharge on state tax prior to July 1, 2015, to establish a surcharge by ordinance, if the ordinance is adopted prior to July 1, 2018, but not earlier than July 1, 2017;
- (3) Requiring a county with a population greater than 500,000 to require the agency managing its mass transit project to provide a current financial report, management audit, and presentation on the progress of the mass transit project to the Legislature annually, provided that the State may withhold the surcharges if the county does not report to the Legislature;
- (4) Deleting the provisions that reduce the rate of the surcharge on state tax after December 31, 2022;
- (5) Restricting a surcharge on state tax to be levied prior to January 1, 2019, if the county surcharge on state tax was established by an ordinance between June 30, 2017 and July 1, 2018;
- (6) Changing the amount deducted from the county surcharge on state tax to reimburse the State to an unspecified percentage;



- (7) Requiring the Director of Finance to deduct an unspecified portion of surcharge proceeds for the Department of Transportation for the purpose of state highway projects;
- (8) Deleting the provision requiring the counties to provide matching funds in order to receive surcharge proceeds;
- (9) Extending the sunset date of the county surcharge on state tax to December 31, 2057;
- (10) Inserting language that:
 - (A) Directs the head of each state department or agency to convey title of all disputed highways to the respective counties;
 - (B) Requires each county to take ownership and jurisdiction over all roads over which there is a dispute over ownership between the State or any of its political subdivisions and a private party; and
 - (C) Requires counties that have accepted surrendered roads pursuant to this measure to utilize various tax revenue sources available for the maintenance and upkeep of the roads; and
- (11) Changing its effective date to July 1, 2050, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 349, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 349, H.D. 1, and be referred to your Committee on Finance.



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



HENRY J.C. AQUINO, Chair



