

Honolulu, Hawaii

FEB 16 2017

RE: S.B. No. 938

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Public Safety, Intergovernmental, and
Military Affairs, to which was referred S.B. No. 938 entitled:

"A BILL FOR AN ACT RELATING TO REIMBURSEMENTS TO THE STATE
FOR THE COSTS OF ASSESSMENT, COLLECTION, AND DISPOSITION OF
THE COUNTY SURCHARGE ON STATE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to repeal the
requirement that the State Director of Finance deduct ten per cent
of the gross proceeds of a respective county's surcharge on state
tax to reimburse the State for the costs of assessment,
collection, and disposition of the county surcharge on state tax
incurred by the State.

Your Committee received testimony in support of this measure
from the Department of Budget and Finance, Honolulu City Council,
Mayor of the City and County of Honolulu, Honolulu Rapid Transit
Authority, General Contractors Association of Hawaii, and Hawaii
Laborers-Employers Cooperation and Education Trust. Your
Committee received comments on this measure from the Tax
Foundation of Hawaii.

Your Committee finds that the State Director of Finance's
deduction of ten per cent of the gross proceeds of a respective
county's surcharge on state tax is unfair and inequitable to the
taxpayers of the respective counties. As constituted, the ten per
cent deduction for the county's surcharge allows significant
taxpayer dollars paid by taxpayers of a particular county to be



redistributed for state projects that may provide no benefit to the county taxpayers. Moreover, repealing the State's deduction of ten per cent of the counties' surcharge on state tax will provide increased revenue to the counties to use on a variety of initiatives, including public transportation projects.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Public Safety, Intergovernmental, and Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 938, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 938, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Public Safety,
Intergovernmental, and Military
Affairs,

Clarence K. Nishihara

CLARENCE K. NISHIHARA, Chair



