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STATE OF HAWAII
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DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Lorraine R. Inouye, Chair
and Members of the Senate Committee on Transportation and Energy

The Honorable Clarence K. Nishihara, Chair
and Members of the Senate Committee on Public Safety, Intergovernmental, and
Military Affairs

Date: Monday, February 6, 2017
Time: 3:00 P.M.
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1183, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 1183 and provides the following comments for your consideration.

S.B. 1183 deletes the sunset date of the City and County of Honolulu surcharge tax, and authorizes each county to establish a surcharge on state tax at rates no greater than one-half percent of all gross proceeds and gross income taxable under chapter 237, Hawaii Revised Statutes (HRS), General Excise Tax (GET), and chapter 238, HRS, Use Tax, to fund public transportation systems in their respective counties by ordinance. The measure is effective upon approval.

S.B. 1183 provides that for each county that has not established a surcharge on state taxes prior to July 1, 2017, no surcharge tax shall be assessed prior to January 1, 2018. Within ten days after the county notifies the Department of its adoption of the surcharge tax, the Department is required to collect the surcharge tax beginning on January 1, 2018.

S.B. 1183 requires the Department to pay into the state treasury all county surcharges on state tax collected on a monthly basis, rather quarterly, within ten working days after collection. It changes the ten percent deduction from county surcharge revenues to an unspecified amount, provided that an unspecified amount of the county surcharge revenues are allocated to Department of Transportation.

First, the Department notes that S.B. 1176 may have inadvertently excluded amendments to sections 237-8.6 (b) and 238-2.6(b), HRS. If the intent of the measure is to allow for the

adoption or the continued imposition of the county surcharge, the Department suggests amending these sections to consistent with the intent of the measure.

Second, in order for the Department to administer a county surcharge for the rest of the counties, the Department strongly recommends that all counties be required to adopt the same tax rate. As the Department has noted in the past, different tax rates increase administrative and enforcement issues, and may cause taxpayers to improperly source their income to counties with lower tax rates. If each county adopts its surcharge at the same tax rate, there will be no incentive for a taxpayer to improperly source its income and ensure that each county receives the proper amount of revenue.

Third, the Department collects and reports the county surcharge amounts to the Department of Budget and Finance (B&F) and Department of Accounting and General Services (DAGS) each month. We defer to these agencies regarding the requirement to increase the frequency of the payments.

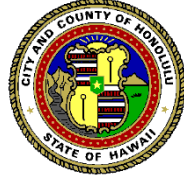
Finally, due to the substantial number of changes that must be done to the forms, instructions and computer system, the Department requests that the effective date for implementation of the surcharge for other counties be no earlier than January 1, 2019.

Thank you for the opportunity to provide comments.

**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

**CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEES ON
TRANSPORTATION AND ENERGY
AND PUBLIC SAFETY, INTERGOVERNMENTAL,
AND MILITARY AFFAIRS**

TUESDAY, FEBRUARY 6, 2017; 3:00 PM

**TO: THE HONORABLE LORRAINE R. INOUE, CHAIR
THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR
AND MEMBERS OF THE SENATE COMMITTEE ON
TRANSPORTATION AND ENERGY**

**THE HONORABLE CLARENCE K. NISHIHARA, CHAIR
THE HONORABLE GLENN WAKAI, VICE CHAIR
AND MEMBERS OF THE SENATE COMMITTEE ON PUBLIC SAFETY,
INTERGOVERNMENTAL, AND MILITARY AFFAIRS**

**FROM: KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU**

SUBJECT: STRONG SUPPORT OF SB1183 RELATING TO TAXATION.

The City and County of Honolulu strongly supports SB1183, which extends the county surcharge on the general excise tax (GET) in perpetuity and provides that the State shall retain an unspecified portion of the surcharge proceeds for the Department of Transportation. This bill will ensure that the City will have sufficient funds to cover construction and financing costs of the rail project and ensure that we can build the full twenty-mile guideway with all twenty one rail stations.

Oahu needs rail because traffic congestion is terrible and getting worse. There are 90,000 additional registered vehicles on Oahu than there were when we started the rail project ten years ago. Rail is the "Transit" in Transit-Oriented Development. There is no TOD without rail and we need TOD to provide workforce housing.

The Honolulu Authority for Rapid Transportation estimates that the total construction costs are \$8,200,000,000, exclusive of the financing costs. Extending the county surcharge on the GET is the best option to cover these costs because it is already in place and tourists and non-residents pay nearly thirty percent of the GET.

The City is well aware that the State has its own funding needs, especially with respect to transportation. The City welcomes a discussion of a different allocation of funds retained by the State from the GET surcharge revenues, as long as this split is reasonable and allows the City to fully fund the costs of the rail project.

Thank you for your consideration of this testimony in strong support of SB1183.

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 4:55 PM
To: TRE Testimony
Cc: atantoco@honolulu.gov
Subject: Submitted testimony for SB1183 on Feb 6, 2017 15:00PM

SB1183

Submitted on: 2/3/2017

Testimony for TRE/PSM on Feb 6, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Krishniah N. Murthy	Honolulu Authority for Rapid Transportation	Comments Only	Yes

Comments: Written testimony attached.

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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**SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS**

Feb. 6, 2016, 3:00 P.M.

Room 225

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 1183 WITH COMMENTS

Aloha Chairs Inouye and Nishihara, Vice Chairs Dela Cruz and Wakai, and members of the committees:

Blue Planet Foundation **supports the intent** of SB 1183 and provides comments on the bill which would authorize counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity, and counties that have not established a surcharge by 7/1/2017, to establish a surcharge on state tax.

Comments

There are a number of different bills before the legislature that are working to help resolve the City and County of Honolulu's challenges with rising construction costs associated with the development of the Honolulu Rail Project.

Blue Planet Foundation supports public investments in transit infrastructure projects that support compact development, utilize renewable energy, reduce transportation energy use, and reduce household transportation costs.

Blue Planet Foundation can support extending the GET surcharge in perpetuity for the City and County of Honolulu, as well as allowing all counties to establish the GET surcharge. Blue Planet Foundation supports allowing any county to use surcharge revenues for both capital costs associated with developing transit infrastructure, as well as helping to off-set the costs of operating and maintaining those transit systems.

However, because the general excise tax is a regressive tax, Blue Planet Foundation believes that any county that establishes the surcharge must use those monies in ways that demonstrably reduce household transportation costs for low-income households and which help to achieve state energy targets, as well as any state and county transportation mode share targets that may be set.

Blue Planet Foundation Supports GET Surcharge Extension with the Following Conditions

Blue Planet Foundation, proposes that the State should only allow for the extension of the GET surcharge for the City and County of Honolulu beyond 2027, and allow other counties which have not yet established the surcharge to do so, on the following conditions:

- 1) That GET surcharge monies may only be used to support the capital and operating and maintenance costs for transit systems that are powered by 100% renewable electricity (or other locally produced renewable fuels), by no later than December 31, 2027;
- 2) That each county prepares a renewable energy plan demonstrating how energy sources to power any transit systems supported by the surcharge will be developed and delivered to the State Legislature prior to December 31, 2020;
- 3) That each county establishes transit-oriented development districts and set transportation mode share targets within those districts allowing for no more than 40% of trips by personal automobiles by or before 2040; and
- 4) That each county must have established said transit-oriented development districts and set mode share goals by December 31, 2020.

On the State's Share of GET Surcharge Revenues

Blue Planet Foundation can support maintaining or even increasing the State's share of GET surcharge revenues, provided that no more than 5% of said revenues be deposited into the general fund to offset the cost of administering the tax; and that the balance of the state's share of the surcharge is used for any of the following:

- Facilitating the development of transit-oriented development;
- Developing affordable housing in transit-oriented development districts;
- The administration and operation of transportation demand management programs run by the State that seek to reduce personal automobile trips and increase trips made by alternative modes of transportation; and
- Renewable energy projects that offset fossil fuels use for public transit systems.

Blue Planet Foundation does not support the use of GET surcharge revenues to supplement state highway funding, unless those revenues deposited in the highway fund are used for any of the projects listed above.

Blue Planet Foundation supports policies and efforts to promote compact land use, walking, bicycling, and transit; as well as those working to reduce the inefficient use of the personal automobile. Blue Planet Foundation does not support using GET surcharge revenues to pay for roadway construction or maintenance because doing so socializes the costs of driving and undercuts policies seeking to reduce driving and promote alternative modes. Blue Planet Foundation believes that to the greatest extent possible, the costs of driving should be borne directly by drivers.

Thank you for the opportunity to testify.



Testimony of Move Oahu Forward
Before the Senate Committee on Transportation & Energy
and Public Safety and Military
Monday, February 6, 2017 at 3:00 p.m. in Room 225

Move Oahu Forward (MOF) is pleased to provide comments on Senate Bill 1176, 1183 & 1276. We support the imperative need for a steady funding source for the Honolulu rail project to allow for the completion of a 20-mile, 21 station system, as envisioned in the Full Funding Grant Agreement between the Federal Transit Administration (FTA) and the City and County of Honolulu.

MOF was established in 2012 as an organization of Hawaii business and community leaders to support the completion of the Honolulu rail project – 20-miles and 21 stations – and its integration with TheBus for a quality, public transportation system on the Island of Oahu for residents and visitors alike. Today, we have more than 50 members, representing builders, landowners, small business advocates to hopeful users of a completed rail system - beginning on the westside and extending thru the end of the planned route at Ala Moana Center.

Like you, we had truly hoped not to find ourselves back at the Legislature asking for continued funding. The City and HART have and will continue to explain the likely reasons for the miscalculations and resulting shortfall. Senior officials have lost or left their positions as a result. Being too conservative or providing the “best case scenarios” did not serve the project well. We believe that important lessons have been learned and with the first 10 miles of guideway quickly nearly completion and 8 of the 9 stations starting construction, there is more clarity on what will be required for the remaining portion of the project.

We understand that it is early in the legislative process of briefings, hearings and negotiations. As such, we will not in this writing address the merits of the individual bills, other than to state that extending the ½% of general excise tax (GET) would be the cleanest and steadiest revenue source for the rail project. It is already in place and would not require legislators to find other monies that are important and needed for other priorities. This ½ GET could be shared with the Department of Transportation for their road priorities, should the Legislature in its wisdom, decide to pursue this avenue.

FTA has required HART to submit a recovery plan by April 30th. Its purpose is to ensure that HART take it seriously and pursue the securing of additional funds at the Legislature with vigor. This they have. The recovery plan need not be fully baked, with a passed/enacted funding measure by April 30th. But, it must provide milestones, active discussions and the possibility of a positive outcome.

The Full Funding Grant Agreement is an enforceable contract between the federal government and the City. Because HART is in a recovery stage, remaining federal monies are being held until parties can come to terms and agree on a workable plan moving forward. This is no different from what many other cities have experienced and worked thru for the benefit of their citizens. The most recent include Seattle and Los Angeles.

What does make it different is that we are between Administrations. As we all know, there are many changes afoot in Washington, D.C. Hence, we must be very careful about taking any action to alter the Full Funding Grant Agreement at this time which could change the responsibilities and obligations of the parties.

Enhanced mobility, equity for those in West Oahu, quick commutes to and from the airport from urban Honolulu, and between the UH campuses are important goals to strive for as we work together to establish a more livable city we can all be proud of.

No one said transforming how people get to work, school and play would be easy. Change and transformation are never easy. It takes vision, grit, a bit of risk taking, resilience and a good measure of optimism. We thank you for your leadership.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 5, 2017 9:56 AM
To: TRE Testimony
Cc: sanseironin@gmail.com
Subject: Submitted testimony for SB1183 on Feb 6, 2017 15:00PM

SB1183

Submitted on: 2/5/2017

Testimony for TRE/PSM on Feb 6, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Harry Yoshida	Individual	Oppose	No

Comments: I ask that SB1183 not be passed out of your committee. I am against extending the rail tax surcharge given that the City and the Mayor, and HART have not been able to contain the cost of the rail project and are billions of dollars in the red already and have yet to face the most difficult and challenging portion of the build and have no real idea of what the cost will be. The project as constituted now is a total financial disaster and giving the City access to an unlimited piggy bank as this bill proposes makes no sense. I would urge that this bill not be allowed to pass out of committee.

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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 3:33 PM
To: TRE Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1183 on Feb 6, 2017 15:00PM*

SB1183

Submitted on: 2/3/2017

Testimony for TRE/PSM on Feb 6, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

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