

Honolulu, Hawaii

FEB 17 2017

RE: S.B. No. 1183

S.D. 1

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

Sir:

Your Committees on Transportation and Energy and Public Safety, Intergovernmental, and Military Affairs, to which was referred S.B. No. 1183 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize counties that have established a surcharge on state tax prior to July 1, 2015, to extend the surcharge in perpetuity;
- (2) Authorize counties that have not established a surcharge on state tax by July 1, 2017, to establish a surcharge;
- (3) Provide that the State shall retain an unspecified percent of surcharge proceeds, of which an unspecified percent shall be allocated to the Department of Transportation; and
- (4) Require a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

Your Committees received testimony in support of this measure from the City and County of Honolulu, Permitted Interaction Group of the Honolulu City Council, Hawaii State AFL-CIO, Chamber of



Commerce Hawaii, Building Industry Association of Hawaii, West Oahu Economic Development Association, James Campbell Company LLC, Pacific Resource Partnership, Land Use Research Foundation of Hawaii, Blue Planet Foundation, and five individuals. Your Committees received testimony in opposition to this measure from one individual. Your Committees received comments on this measure from the Department of Taxation, Department of Budget and Finance, Honolulu Authority for Rapid Transportation, Move Oahu Forward, and Tax Foundation of Hawaii.

Subsequent to the hearing on this measure, your Committees posted and made available for public review a proposed S.D. 1, which amended the contents of the measure, inserted new language, and organized the measure into five distinct parts as follows:

(1) Part I:

- (A) Authorizes counties that have established a surcharge on state tax prior to July 1, 2015, to extend the surcharge in perpetuity;
- (B) Authorizes counties that have not established a surcharge by July 1, 2017, to establish a surcharge on state tax;
- (C) Provides that the State shall retain an unspecified portion of surcharge proceeds for the Department of Taxation; and
- (D) Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis;

(2) Part II:

- (A) Establishes an income tax credit that reduces the tax liability for low-income taxpayers if their federal adjusted gross income falls below federal poverty guidelines;
- (B) Authorizes all counties to establish a 0.5 percent surcharge on state tax prior to July 1, 2018;



- (C) Makes permanent the county surcharge on state tax;
 - (D) Provides that the State shall retain an unspecified portion of surcharge proceeds for deposit into the state highway fund;
 - (E) Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis; and
 - (F) Specifies how the county surcharges collected shall be allocated among the counties;
- (3) Part III:
- (A) Authorizes counties that have established a surcharge on state tax prior to July 1, 2015, to extend the surcharge to December 31, 2032; provided that the Hawaii Community Development Authority transfers specified parcels to the City and County of Honolulu and the City and County of Honolulu meets other requirements prior to December 31, 2027;
 - (B) Repeals parts I and III of the measure on January 1, 2028, if the requirements are not met;
 - (C) Authorizes counties that have not established a surcharge on state tax by July 1, 2017, to establish a surcharge; and
 - (D) Provides that an unspecified percentage of the surcharge shall be used by the Department of Transportation for transit oriented development and infrastructure improvement;
- (4) Part IV:
- (A) Increases the general excise and use tax from four percent to four and one-half percent;
 - (B) Specifies that for an unspecified time period, beginning on January 1, 2019, an unspecified amount



of the additional revenues shall be transferred to any county that adopted a surcharge on state tax; provided that such county matches up to half of the transferred funds;

- (C) Limits the expenditures allowed by a county receiving additional tax revenue to capital costs for a mass transit project and compliance with the Americans with Disabilities Act;
 - (D) Requires any county who receives additional tax revenue to report to the Legislature annually on revenues and expenditures;
 - (E) Specifies that an unspecified amount of the additional revenues shall be used by the State for education, the Department of Transportation, affordable housing, and elderly programs and services; and
 - (F) Repeals the county surcharge on state tax on January 1, 2019; and
- (5) Part V:
- (A) Inserts an effective date of July 1, 2050, to encourage further discussion; and
 - (B) Inserts various provisions related to effective dates, repeal conditions, and tax provisions for various sections in the measure.

Your Committees received testimony in support of the proposed S.D. 1 from the Department of Transportation; Honolulu Authority for Rapid Transportation; Hawaii State AFL-CIO; Chamber of Commerce Hawaii; United Public Workers, AFSCME, Local 646, ALF-CIO; ILWU Local 142; Pacific Resource Partnership; Hawaii Regional Council of Carpenters; Hawaii Laborers-Employers Cooperation and Education Trust; Hawaii Operating Engineers Industry Stabilization Fund; Building Industry Association of Hawaii; and five individuals. Your Committees received testimony in opposition of the proposed S.D. 1 from Common Cause Hawaii, Kanehili Cultural Hui, BOHICA, and nine individuals. Your Committees received



comments on the proposed S.D. 1 from the Department of Budget and Finance, Department of Taxation, City and County of Honolulu, Permitted Interaction Group of the Honolulu City Council, Tax Foundation of Hawaii, Move Oahu Forward, Blue Planet Foundation, and one individual.

Your Committees find that the City and County of Honolulu needs to have sufficient funds to cover construction and financing costs of the rail project and to ensure that the full twenty-mile guideway with all twenty-one rail stations can be built. According to testimony, the Honolulu Authority for Rapid Transportation estimates that the total construction costs are \$8,200,000,000, exclusive of the financing costs. Your Committees further find that a rail transit system supports public investments in transit infrastructure projects that enable compact development, utilize renewable energy, reduce transportation energy use, and reduce household transportation costs.

Your Committees have amended this measure by adopting the proposed S.D. 1. Your Committees believe that this measure is a work in process and a lot of thought and discussion still needs to be done. Your Committees recognize that the different parts of the proposed S.D. 1 contain conflicting language. However, it is your Committees' intent to move all parts of this measure forward for consideration by your Committee on Ways and Means. By including all of these parts in this measure, it will allow the Senate to continue to vet each available option.

Your Committees would like to clarify that the defective effective date of July 1, 2050, applies to this measure in its entirety with the intent that it encourages further discussion to bring about a consensus agreement on this measure. While part V of this measure contains other dates and provisos, such language is meant only to reference taxable years and the effect of state agency and county deadlines, as those dates apply to specific parts and sections of this measure. Those dates and provisos should not be confused with the overall effective date of this measure, which is a defective effective date of July 1, 2050. As noted above, your Committees understand that the various parts of this measure conflict and it is for that very reason that it has inserted a defective effective date applicable to this measure in its entirety until such time as consensus can be reached on the



best option to move forward on the important issues raised by this measure.

As affirmed by the records of votes of the members of your Committees on Transportation and Energy and Public Safety, Intergovernmental, and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1183, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1183, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Transportation
and Energy and Public Safety,
Intergovernmental, and Military
Affairs,

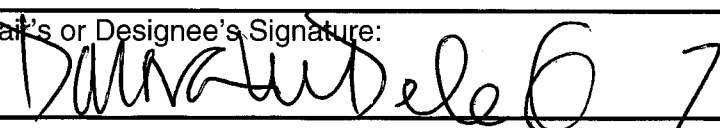

CLARENCE K. NISHIHARA, Chair


LORRAINE R. INOUE, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

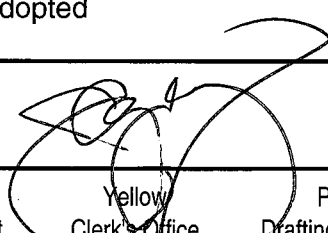
Record of Votes
Committee on Transportation and Energy
TRE

Bill / Resolution No.:* SB 1183 PSM/PSM	Committee Referral: TRE/PSM, WAM	Date: 2/15/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
INOUYE, Lorraine R. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani	/			
HARIMOTO, Breene		/		
SHIMABUKURO, Maile S.L.	/			
TOTAL	4	1		
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Public Safety, Intergovernmental, and Military Affairs
PSM

Bill / Resolution No. <i>SB 1183 SDI</i>	Committee Referral: <i>TRE/PSM, WAM</i>	Date: <i>2/15/17</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
NISHIHARA, Clarence K. (C)	✓			
WAKAI, Glenn (VC)		✓		
BAKER, Rosalyn H.	✓			
IHARA, Jr., Les		✓		
THIELEN, Laura H.			✓	
TOTAL	<i>2</i>	<i>2</i>	<i>1</i>	<i>0</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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