



**STATE OF HAWAII
DEPARTMENT OF TAXATION**

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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: Friday, March 16, 2018
Time: 10:00 A.M.
Place: Conference Room 414, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2587, H.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 2587, H.D. 1, for the Committee's consideration.

H.B. 2587, H.D. 1, extends the deadline for a county to adopt an ordinance to establish a general excise tax surcharge (CS) from March 31, 2018 to September 30, 2018. H.D. 1 has a defective effective date of July 1, 2030. To date, only Honolulu and Kauai Counties have adopted a CS. Thus, this measure would provide Hawaii and Maui Counties with the extension.

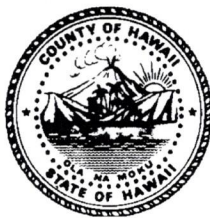
The Department first notes that current law requires that the county ordinance be adopted prior to March 31, 2018 with imposition and collection of the CS to begin January 1, 2019. This provides the Department with a minimum of nine months to prepare. H.B. 2587, H.D. 1, extends the ordinance adoption deadline, but does not extend the date on which the imposition and collection begins.

The Department respectfully requests that the deadline to adopt an ordinance be extended to June 30, 2018 instead of September 30, 2018, similar to S.B. 3088, S.D. 2. This will provide the Department a minimum of six months to prepare.

In the alternative, the Committee may want to consider providing a one-year extension to adopt an ordinance with imposition and collection to begin on January 1, 2020, similar to S.B. 2614, S.D. 2.

Thank you for the opportunity to provide comments.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i Office of the Mayor

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March 13, 2018

Senator Lorraine R. Inouye, Chair
Committee on Transportation and Energy
Hawai'i State Capitol, Room 414
Honolulu, HI 96813

Dear Chair Inouye and Committee Members:

Re: HB 2587, HD 1 Relating to GET Surcharge Extension
Hearing Date: 03-16-18 – 10:00 am; Conference Room 414

Please accept this testimony in general support of HB 2587, HD 1, extending the opportunity for a county to add a surcharge to the State GET.

As you may know, I had opposed increasing the GET in Hawai'i County for as long as I have been Mayor. However, I have had to come to terms with the fiscal vise that makes it nearly impossible to (1) balance our County budget, and (2) provide the services that our communities need, without increasing our tax revenue. I therefore have sent a proposal to our Council calling for the surcharge. The Council has postponed action until May.

Since Hawai'i County needs additional time to decide whether or not to adopt a surcharge, HB 2587, HD 1, has gone from "nice-to-have" to "must-have" legislation for us.

We would ask for one amendment. The Department of Taxation needs time to prepare appropriate forms, and asked that the tax increase be effective January 1, 2020, if the surcharge is adopted late. We need the tax to start January 1, 2019 to balance our budget, and we are not sure that a September deadline would be acceptable to DOT. If it is not acceptable, but DOT could live with a June 30 deadline, we would ask that it be made clear that, if the surcharge is adopted by the end of June, it would be effective for calendar year 2019. While we would defer to your staff and DOT for the exact language, we think something like the following amendment to Section 2 of this bill would accomplish the purpose:

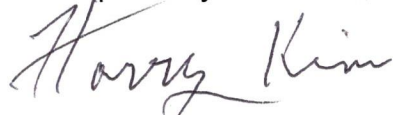
(1) Prior to:

(A) January 1, 2007, if the county surcharge on state tax was established by an ordinance adopted prior to December 31, 2005; or

(B) January 1, 2019, if the county surcharge on state tax was established by the adoption of an ordinance after June 30, 2015, but prior to June 30, 2018 or

(C) January 1, 2020, if the county surcharge on state tax was established by the adoption of an ordinance after June 30, 2018, but prior to September 30, 2018, and...

Respectfully submitted,

A handwritten signature in black ink that reads "Harry Kim". The signature is written in a cursive, flowing style.

Harry Kim
Mayor, County of Hawai'i

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

THE SENATE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018

COMMITTEE ON TRANSPORTATION AND ENERGY
Senator Lorraine R. Inouye, Chair
Senator Will Espero, Vice Chair

COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Friday, March 16, 2018
10:00 a.m.
State Capitol
Conference Room 414

Aloha Chairs Inouye & Nishihara, Vice Chairs Espero & Wakai, and Members of the Committees:

Pacific Resource Partnership (PRP) **supports** HB 2587, HD1, which extends the period by six months that a county may adopt a surcharge on state tax, under certain conditions, from March 31, 2018, to September 30, 2018.

The Hawaii County Council recently voted to temporarily postpone action on whether or not to establish a surcharge on state tax until the Council members are able to see the mayor's draft proposed budget which is due to the council by March 1, 2018.

The additional time given will provide Hawaii and Maui counties with the opportunity to continue meeting with community members and to gather additional information to make sound decisions on how to best move forward.

Thank you for allowing us to express our support for HB 2587, HD1, and we respectfully request your favorable consideration.



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About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Extends Period for Counties to Opt-In on GET Surcharge

BILL NUMBER: HB 2587, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Extends the period by six months that a county may adopt a surcharge on state tax, from March 31, 2018, to September 30, 2018.

SYNOPSIS: Amends section 46-16.8(c), HRS, to give all counties the option to adopt a general excise and use tax surcharge for an additional six months, to September 30, 2018.

Makes conforming amendments in sections 237-8.6 and 238-2.6, HRS.

EFFECTIVE DATE: July 1, 2030.

STAFF COMMENTS: This measure concerns the 0.5% surcharge on the general excise tax that is currently imposed in the City and County of Honolulu, sometimes known as the “rail surcharge.” As originally enacted in 2006, the rail surcharge was scheduled to sunset on December 31, 2022. The surcharge authority was extended to December 31, 2027, by Act 240, Session Laws of Hawaii 2015, and the City & County of Honolulu extended the surcharge by Ordinance 16-1. To date, Kauai County is the only other county that has adopted a surcharge ordinance, and collections of the Kauai surcharge will begin in January 2019. Kauai Ord. No. 1021 (Dec. 11, 2017).

The county surcharge on the GET, which is the subject of this bill, is imposed by county ordinance and not state law, although state statute delegates the power to tax. So far Oahu and Kauai have adopted ordinances imposing the surcharge, and Hawaii County is in the process of holding public meetings on the topic to gauge support for doing the same.

Digested 3/13/2018