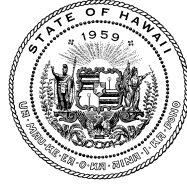


DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

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. 1176, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 1176 and provides the following comments for your consideration.

S.B. 1176 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. 1176 provides that for any ordinance that is adopted after July 1, 2017, no surcharge tax shall be assessed prior to January 1 of the succeeding year. It 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.

First, the Department notes that S.B. 1176 may have inadvertently excluded amendments to section 237-8.6 (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 section 237-8.6(b), HRS.

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.

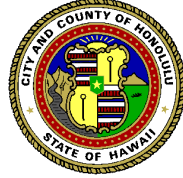
Finally, due to the substantial number of changes that must be done to the forms, instructions and computer system, the Department requests that the effective date for implementation of the surcharge for other counties be no earlier than January 1, 2019.

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**

MONDAY, 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 SB1176 RELATING TO TAXATION

The City and County of Honolulu (City) strongly supports SB1176, which extends the county surcharge on the general excise tax (GET) in perpetuity. This bill will ensure the City will have sufficient funds to cover construction and financing costs of the rail 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

SUPPORT OF SB1176

Page 2

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.

Thank you for considering our testimony in strong support of this measure.



IN REPLY REFER TO:
CMS-AP00-01970

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Krishniah N. Murthy
INTERIM EXECUTIVE DIRECTOR AND CEO

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SENATE COMMITTEE ON TRANSPORTATION AND ENERGY

and

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

Monday, February 6, 2017

3:00 p.m.

State Capitol, Conference Room 225

Chair Inouye, Chair Nishihara, and Members of the Senate Committee on Transportation and Energy and Committee on Public Safety, Intergovernmental, and Military Affairs:

The Honolulu Authority for Rapid Transportation (HART) **supports Senate Bill 1176**, which proposes to extend each county's authority to establish and collect a surcharge on the State general excise and use taxes (GET), require a county's share of the county surcharge on State tax to be paid to the county on a monthly basis and delete the repeal date for Act 247, Session Laws of Hawaii 2005, authorizing counties to levy a surcharge to fund public transportation systems.

HART estimates that the cost to complete construction of the Project will be \$8.2 billion, excluding finance charges. Consequently, financing the Project through the issuance of bonds will be in addition to the \$8.2 billion in capital project cost. HART believes extending the GET in perpetuity is the best option to achieve our immediate goal of meeting the City's obligations under the Full Funding Grant Agreement to complete this Project. The GET surcharge provides a consistent, broad-based source of funding, as well as providing our Federal partners the confidence in Honolulu's ability and financial commitment to complete the Project.

Thank you for this opportunity to provide written testimony.



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: Friday, February 3, 2017 3:34 PM
To: TRE Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1176 on Feb 6, 2017 15:00PM*

SB1176

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:

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov