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To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 13, 2018
Time: 10:30 A.M.
Place: Conference Room 414, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2614, S.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments on S.B. 2614, S.D. 1, for the Committee's consideration.

S.B. 2614, S.D. 1, extends the deadline for a county to adopt an ordinance to establish a general excise tax surcharge tax (CS) from the March 31, 2018 to March 31, 2019. The bill is effective upon its approval. 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 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. The Department appreciates the Senate Committee on Public Safety, Intergovernmental, and Military Affairs adopting its suggestion to extend the date that imposition will begin from January 1, 2019 to January 1, 2020 in S.D. 1. Unfortunately, this amendment has the unintended consequence of delaying the imposition and collection for Kauai County until January 1, 2020.

In order to extend the deadline for Hawaii and Maui Counties to adopt an ordinance and to start the imposition and collection for Kauai County on January 1, 2019, the Department suggests that the last sentence of Hawaii Revised Statutes (HRS) section 46-16.8, be amended to read as follows:

For a county that has adopted an ordinance before March 31, 2018, the director of taxation shall levy assess, collect, and otherwise administer the county surcharge on state tax starting on January 1, 2019. For a county that has adopted an ordinance before March 31, 2019, the director of taxation shall levy assess, collect, and otherwise administer the county surcharge on state tax starting on January 1, 2020.

For consistency and clarity, the Department also suggests leaving HRS sections 237-8.6(b)(1)(B) and 238-2.6(b)(1)(B) unamended, and inserting the following subparagraph as HRS sections 237-8.6(b)(1)(C) and 238-2.6(b)(1)(C) respectively:

January 1, 2020, if the county surcharge on state tax was established by the adoption of an ordinance after June 30, 2015, but prior to March 31, 2019;

Thank you for the opportunity to provide comments.