

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Expand Permitted Usage on Neighbor Islands of County Surcharge

BILL NUMBER: HB 1394; SB 1428 (Identical)

INTRODUCED BY: HB by NAKAMURA, CREAGAN, MORIKAWA, NAKASHIMA, TARNAS, TODD, TOKIOKA, WILDBERGER; SB by KOUCHI by request

EXECUTIVE SUMMARY: Authorizes any county with a population equal to or less than 500,000 that adopts a county surcharge on state tax ordinance to use the surcharges received from the State for infrastructure and public safety. This bill will send us far afield from the original intent and philosophy of the county surcharge, which was a temporary tax to fund mass transportation.

SYNOPSIS: Amends section 46-16.8, HRS, to allow a county with a population of 500,000 or less to use the GET surcharge for infrastructure and public safety in addition to usages relating to public transportation.

EFFECTIVE DATE: Upon approval

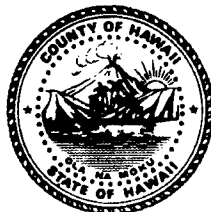
STAFF COMMENTS: As originally adopted in Act 247, SLH 2005, the county surcharge on GET was a temporary measure to allow the City and County of Honolulu a funding source for a mass transit system and Americans with Disabilities Act compliance expenses for it. Because our Constitution and common sense require that like opportunities be afforded to all counties, Act 247 allowed the other counties to use any adopted county surcharge for mass transportation projects and Americans with Disabilities Act compliance expenses for them.

In other words, the surcharge was supposed to be to build mass transportation. Period. Then the tax was supposed to go away.

If the permissible uses of the tax are broadened to these purposes, why don't we just allow them to be used for general revenue? That's what's at the end of the path this bill points us to. When that happens, the tax will never go away because there will be no event (such as completion of rail construction) signaling the end of the tax.

Digested 2/20/2019

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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February 21, 2019

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means

Dear Chairs, Vice Chairs, and Committee Members:

RE: SB 1428 Relating to the County Surcharge on State Tax

Thank you for this opportunity to testify in favor of SB 1428. But first, I would like to thank you for your support for the Hawai'i County disaster recovery bills, SB 1302 and HB 1180. You know how important those bills will be for our entire community, and we are grateful and want to publicly acknowledge all those who pulled together to get us this far.

With respect to SB 1428, a top priority for me this Session is to get some flexibility in how GET surcharge funds can be spent. SB 1428 does this in a way that would be straightforward, but without being open-ended. It would be very important for Hawai'i County, but would benefit the other neighbor islands as well.

This Committee was willing to give us flexibility last year, but the language that was used created concerns. This time around, the authors worked to make sure the language would be acceptable to all parties, and we believe they have accomplished that.

Please be assured that it is not our intent to downgrade transportation, which is the present beneficiary of GET funding. Rather, each County has expressed different unmet needs for which a funding source has yet to be identified; for example, "public safety" for Hawai'i County, or "infrastructure" for Kauai. Higher contributions to ERS and other post-employment benefits have had significant impacts on our ability to fund operations throughout the county. For Hawai'i Island, dealing with multiple natural disasters, the cost of providing public safety during these events has taken its toll and depleted our funds.

Please give SB 1428 your favorable vote.

Respectfully Submitted,

Harry Kim
MAYOR

SB-1428

Submitted on: 2/22/2019 2:51:54 PM

Testimony for WAM on 2/25/2019 9:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
HERBERT M. "TIM" RICHARDS, III	Individual	Support	No

Comments:



OFFICE OF THE MAYOR
THE COUNTY OF KAUA'I

DEREK S. K. KAWAKAMI, MAYOR
MICHAEL A. DAHILIG, MANAGING DIRECTOR

LATE

Testimony of Derek S. K. Kawakami
Mayor, County of Kaua'i

Before the
Senate Committee on Ways and Means
February 25, 2019; 9:55 am
Conference Room 211

In consideration of
Senate Bill 1428
Relating to the County Surcharge on State Tax

Honorable Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The County of Kaua'i is in **support** of SB1428 which proposes to authorize any county with a population equal to or less than 500,000 that adopts a county surcharge on state tax ordinance to use the surcharges received from the State for infrastructure and public safety.

Last year the County of Kaua'i adopted an ordinance to establish this surcharge and became effective this year. We look forward to the long overdue improvements to our county roadways the revenue this surcharge provides. Extending the period for counties to adopt an ordinance to establish this surcharge is in the best interest for all residents and visitors of Hawai'i.

Respectfully submitted,

Derek S. K. Kawakami
Mayor, County of Kaua'i



LATE

SB-1428

Submitted on: 2/25/2019 8:22:13 AM

Testimony for WAM on 2/25/2019 9:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan P. Armstrong	Individual	Support	No

Comments: