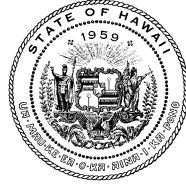


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director
Department of Taxation

Re: S.B. 2140, Relating to Taxation

Date: Monday, February 3, 2020

Time: 11:00 A.M.

Place: Conference Room 211, State Capitol

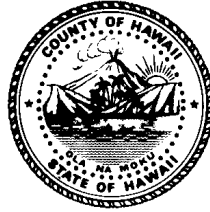
The Department of Taxation (Department) offers the following comments on S.B. 2140.

S.B. 2140 extends the deadline for a county to adopt an ordinance to establish a general excise tax surcharge from March 31, 2019 to June 30, 2021. The bill is effective upon approval. To date, Honolulu, Kauai, and Hawaii Counties have adopted a County Surcharge (CS). Thus, this measure only affects Maui County.

S.B. 2140 requires that the county ordinance be adopted prior to June 30, 2020 with imposition and collection of the CS to begin January 1, 2021, or prior to June 30, 2021 with imposition and collection of the CS to begin January 1, 2022. This will provide the Department a minimum of six months to make form changes, develop and test technical configurations, and educate taxpayers.

The Department is able to administer the measure as currently written. Thank you for the opportunity to provide comments.

Harry Kim
Mayor



Roy Takemoto
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

January 30, 2020

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

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members:

RE: SB 2140, Relating to Taxation

Hawai'i County has adopted its surcharge on State tax, and therefore would not be affected directly by adoption of SB 2140. Nevertheless, I think that it is appropriate for me to support my counterparts in other counties as they face financial issues unique to each jurisdiction.

Thank you for your consideration.

Respectfully Submitted,

Harry Kim
MAYOR

SB-2140

Submitted on: 1/31/2020 4:25:26 PM

Testimony for WAM on 2/3/2020 11:00:00 AM

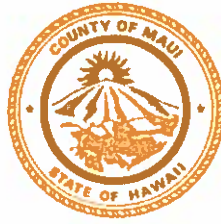
Submitted By	Organization	Testifier Position	Present at Hearing
Maui Mayor	Testifying for Maui County Mayor's Office	Support	Yes

Comments:

MICHAEL P. VICTORINO
Mayor

MARC I. TAKAMORI
Director

MICHAEL B. DU PONT
Deputy Director



DEPARTMENT OF TRANSPORTATION
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793

TELEPHONE: (808) 270-7511
FAX: (808) 270-7505

January 31, 2020

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

Hearing Date/Time: Friday, January 31, 2020 11:00AM
Place: Hawaii State Capitol, Conference Room 211
415 South Beretania Street

FROM: Marc I. Takamori 
Director of Transportation

SUBJECT: Testimony in **SUPPORT** of SB2140 RELATING TO TAXATION

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

The County of Maui, Department of Transportation (MDOT) **SUPPORTS** SB2140 which extends the period in which a County may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 6/30/2021 for the operating or capital costs of public transportation within Maui County. This will allow Maui County to accept a proposed surcharge on the State's general excise tax for transportation related purposes.

MDOT oversees the Maui Bus Program which accommodated over 1.9 million passengers in Fiscal Year 2019. The program includes the Maui Bus Fixed Route, ADA Paratransit and Commuter Services. The Maui Bus fixed route service consists of 14 bus routes that provides services in and between various Central, South, West, Haiku, Kula and Upcountry Maui communities. The ADA Paratransit service provides complimentary services to ADA-qualified passengers within ¾ mile radius of the fixed route portions of the Maui Bus fixed route system. The Maui Bus commuter service consists of 4 commuter routes that is designed for early-morning and evening commuters that transports them from Upcountry and Central Maui out to West and South Maui for work with afternoon returns. All of the routes are operated seven days a week, including holidays.

These are some of the Maui transportation projects that would benefit our transit riders:

1. Increase Bus Service

- Increase in frequency of current services making it more convenient to choose transit, add additional bus routes as demand requires, test micro transit flexible on-demand solutions.

2. Bus Transit Hubs

- Kahului Transit Hub on Vevau Street is scheduled for construction in 2020. Per the Maui Short Range Transit Plan, there are other locations that calls for hubs in Central Maui, Kihei, Lahaina and Pa'ia.
- Build a County owned transit maintenance facility to include electric bus charging infrastructure.

3. Bus Transit Corridors

- Kahului-Wailuku TOD Study could provide a template for other parts of Maui; transit corridors provide safe, convenient connections to bus transit; affordable housing and walkable mixed-use development near the stations.

Thank you for providing us the opportunity to provide testimony on this matter.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

January 31, 2020

TO: Honorable Senator Donovan M. Dela Cruz, Chair
Committee on Ways and Means

FROM: Tasha Kama 
Presiding Officer Pro Tempore

SUBJECT: **Hearing of February 3, 2020; Testimony in SUPPORT of SB 2140,
Relating to Taxation**

Thank you for the opportunity to testify in support of this taxation measure. The purpose of this measure is to extend the period in which a county may adopt a surcharge on state tax from 3/31/2019 to 6/30/2021.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

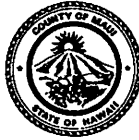
1. Maui County is the only county in the state that has not enacted a surcharge on the general excise tax and cannot choose to do so without the changes to State law proposed in SB 2140.
2. Since the expiration of the surcharge authority in March 2019, the need for transportation improvements has increased in urgency, especially considering the unavoidable impacts of climate change and sea-level rise. Extending the period in which Maui County can choose to enact the GET surcharge would give the county the opportunity for additional revenue to meet these needs if we choose to do so.
3. Since the GET is a broad-based tax, a very small percentage increase as a surcharge has the potential to generate significant amounts of revenue and much of that revenue would be generated by visitors who generate a significant portion of the transportation demand in Maui County. Consideration should be given to relieving the tax impact on lower income residents since the GET is a regressive tax.

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

January 31, 2020

TO: The Honorable Donovan M. Dela Cruz, Chair
Senate Committee on Ways and Means

FROM: Alice L. Lee
Council Chair

SUBJECT: **HEARING OF FEBRUARY 3, 2020; TESTIMONY IN SUPPORT OF SB 2140, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to extend the period in which a county may adopt a surcharge on state tax, under certain conditions, from March 31, 2019 to June 30, 2021.

This measure is part of the Maui County Mayor's Legislative Package, and legislation with a similar purpose is included in the Maui County Council's Legislative Package; therefore, I offer this testimony on behalf of the Council.

The Maui County Council supports this measure for the following reasons:

1. This measure would provide support to build and expand multimodal transportation systems and infrastructure for housing in Maui County, which are priorities of the County Council and the Administration.
2. Maui County is the only county in the State that currently is not receiving the benefits of the surcharge on state tax.
3. In anticipation of this measure's enactment, I have introduced a bill for an ordinance to establish a GET surcharge in Maui County. The bill is on the agenda for the Maui County Council meeting of February 7, 2020.

For the foregoing reasons, the Maui County Council **supports** this measure.

SB-2140

Submitted on: 2/1/2020 5:38:34 AM

Testimony for WAM on 2/3/2020 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kelly King	Testifying for Councilmember Kelly Takaya King	Support	No

Comments:

Dear Chair Dela Cruz and members of the Ways and Means Committee, Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to extend the period in which a county may adopt a surcharge on the state GET, from March 31, 2019 to June 30, 2021.

This measure is part of the Maui County Mayor's Legislative Package, and legislation with a similar purpose is included in the Maui County Council's Legislative Package. I offer this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. Maui is experiencing a housing crisis and passed a climate emergency resolution at the end of 2019. This measure would aid Maui County by providing much needed funds to build and expand infrastructure for housing, tackle the climate emergency, and expand multimodal transportation systems.
2. Maui County is the only county in the state that currently is not receiving the benefits of the surcharge on state tax.
3. There was unanimous support by the Maui County Council for our legislative package and I believe we will act on this measure by the June 30, 2021 deadline.

I thank the committee for scheduling this matter and urge you to pass it on.

Mahalo nui loa,

Kelly Takaya King, Maui County Councilmember
Chair, Climate Action and Resilience Committee



OFFICE OF THE MAYOR
THE COUNTY OF KAUA'I

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

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

Before the
Senate Committee on Ways and Means

February 3, 2020; 11:00 am
Conference Room 211

In consideration of
Senate Bill 2140
Relating to Taxation

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

I am providing testimony in **strong support** of SB 2140 which extends the period a county may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 6/30/2021. Since adopting the surcharge in 2017, Kaua'i is reaping the benefits provided with expansion to our public bus system and most notably the amount of roads we have resurfaced and repaired.

We welcome the opportunity for the remaining county in Hawai'i to adopt the surcharge and add value to their infrastructure.

Thank you for your consideration in passing this measure.



LATE

SB-2140

Submitted on: 2/3/2020 12:18:49 AM

Testimony for WAM on 2/3/2020 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Yuki Lei Sugimura	Individual	Support	No

Comments:

The Maui County Council has supported an increase of general excise tax .05% for this legislative session. These additional funds can be used for much needed infrastructure improvements, roadways, drainage, wastewater and water improvements to benefit the working families with much needed housing projects.

S.B. 2140 extends the deadline for a county to adopt an ordinance to establish a general excise tax surcharge from March 31, 2019 to June 30, 2021. The bill is effective upon approval. To date, Honolulu, Kauai, and Hawaii Counties have adopted a County Surcharge (CS). Therefore this measure only affects Maui County.

As the Chair of the Water, Infrastructure and Transportation committee and the Chair of the Maui Metropolitan Planning Organization, I see the needs for the County with a huge backlog of roadway projects.

Sincerely yours,

YUKI LEI SUGIMURA, Maui County Councilmember, Upcountry

MICHAEL P. VICTORINO
Mayor

ROWENA M. DAGDAG-ANDAYA
Director

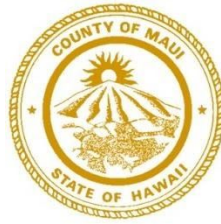
JORDAN MOLINA
Deputy Director

GLEN A. UENO, P.E., L.S.
Development Services Administration

RODRIGO "CHICO" RABARA, P.E.
Engineering Division

JOHN R. SMITH, P.E.
Highways Division

Telephone: (808) 270-7845
Fax: (808) 270-7955



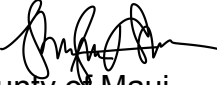
LATE



COUNTY OF MAUI
DEPARTMENT OF PUBLIC WORKS
200 SOUTH HIGH STREET, ROOM 434
WAILUKU, MAUI, HAWAII 96793

February 3, 2020

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

FROM: Rowena M. Dagdag-Andaya 
Director of Public Works, County of Maui

SUBJECT: HEARING OF FEBRUARY 3, 2020; TESTIMONY IN SUPPORT OF
SB 2140, RELATING TO TAXATION

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members,

Thank you for the opportunity to testify in **support** of SB2140. The purpose of this measure is to extend the period in which a county may adopt a surcharge on state tax, under certain conditions, from March 31, 2019 to June 30, 2021. Revenues generated from the General Excise (GE) surcharge would be used to fund Maui County transportation improvement projects.

To date, the County of Maui is the only county that has not enacted an ordinance as provided in HRS 46-16.8. It is my understanding however, that the current Maui County Council has expressed intentions to introduce a bill for an ordinance that would establish a surcharge on the state tax for Maui County as provided in HRS 46-16.8.

Preliminary estimates show that the surcharge would generate between \$30 to \$40 million dollars annually, and that 30-40% of the GE surcharge would be borne by visitors.

The Maui Metropolitan Planning Organization (MMPO) Policy Board, of which I am a member of, recently adopted the Hele Mai Maui 2040 Long Range Transportation Plan that shows a funding gap of approximately \$800 million over the next 20 years for needed transportation improvement projects. The proposed measure provides the County of Maui with a unique funding mechanism for transportation projects that would likely be deferred or unfunded due to financial constraints using traditional funding sources, and provides an opportunity to generate funding for the following types of projects:

- Reconstruction and rehabilitation projects to repair aging bridge and road infrastructure that are susceptible to impacts caused by climate change and sea level rise;
- Multimodal and public transportation projects that provide mobility options and promote transportation equity, and;
- Roadway capacity projects that would alleviate traffic congestion and provide additional access routes to be used in the event of an emergency.

Thank you for the opportunity to provide testimony in support of SB2140.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Extends Period for Counties to Opt-In on Surcharge

BILL NUMBER: SB 2140; HB 1715

INTRODUCED BY: SB by KOUCHI (Introduced by request of another party); HB by SAIKI (Introduced by request of another party)

EXECUTIVE SUMMARY: Extends the period in which a county may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 6/30/2021.

SYNOPSIS: Amends section 46-16.8, HRS, to allow a county to adopt a surcharge on the state general excise tax by ordinance prior to 6/30/2021. The surcharge will go into effect on 1/1/2021 if the ordinance is passed before 6/30/2020, and it will go into effect on 1/1/2022 if the ordinance is passed on or after 6/30/2020.

Makes a conforming amendment to section 238-2.6, HRS, relating to adoption of a surcharge on the Use Tax.

EFFECTIVE DATE: Upon approval.

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 has adopted a 0.5% surcharge and Hawaii County has opted for 0.25% but later raised it to 0.5%. Maui County has not adopted the surcharge yet.

How can counties raise money to balance their budgets?

One source of funding that is available to any county is the real property tax. Article VIII, section 3 of the Hawaii Constitution exclusively and directly gives power to the counties to impose real property tax. *State ex rel. Anzai v. City and County of Honolulu*, 99 Hawai‘i 508, 57 P.3d 433 (2002), established that for at least the past twenty years, any county is “free to exercise its exclusive authority to increase, diminish, enact, or repeal any exemptions involving real property taxes without interference by the legislature.” *Id.*, 57 P.3d at 446. The real property tax is imposed by county ordinance, it is imposed on those under the jurisdiction of the county and not of the state, and the money raised belongs to the county imposing it.

Another source of funding is state tax; specifically, state tax that is shared with the counties. Article VIII, section 3 of the Hawaii Constitution provides:

The taxing power shall be reserved to the State, except so much thereof as may be delegated by the legislature to the political subdivisions, and except that all functions, powers and duties

relating to the taxation of real property shall be exercised exclusively by the counties, with the exception of the county of Kalawao. The legislature shall have the power to apportion state revenues among the several political subdivisions.

Where the funds raised are by state statute imposing a state tax, the money raised is the State's money. The Hawaii Constitution, in the language quoted above, explicitly empowers the Legislature to apportion that money to one or more political subdivisions however the Legislature sees fit. Money can be raised for general revenue purposes, as is the case with most taxes including the Transient Accommodations Tax. That money can also be directed to special funds used for specific purposes, as is the case with the fuel tax that feeds the Highway Fund. Sometimes the tax money raised is directed to a multitude of uses, as with the TAT and the Conveyance Tax. It has been held that such funds can be disbursed to one or more counties through grants in aid, and that the State can enact conditions upon the power to disburse or give discretion to the Executive Branch to withhold disbursement. *Fasi v. Burns*, 56 Hawai'i 615, 618-19, 546 P.2d 1122, 1125 (1976).

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.

Digested 1/29/2020



January 31, 2020

Testimony of the Maui MPO Policy Board
Before the Senate Committee on Ways and Means

February 3, 2020 at 11:00am
Conference Room 211

SB 2140 RELATING TO TAXATION

Honorable Donovan M. Dela Cruz, Chair
Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Honorable Members of the Senate Committee on Ways and Means

Thank you for the opportunity to testify in **support of SB140** to extend the period in which a county may adopt an ordinance to establish a surcharge on state tax, under certain conditions, from 3/31/2019 to 6/30/2021.

The Maui MPO Policy Board approved this testimony in support of SB2140. Maui County is ready to consider a General Excise Tax (GET) surcharge to fund transportation improvements. In April 2019 the Maui County Council adopted Resolution 19-78 “Urging the Hawaii State Legislature to Extend the Deadline to Establish a Surcharge on General Excise Tax.”

In December 2019, the Maui MPO Policy Board adopted the Hele Mai Maui 2040 Long Range Transportation Plan developed from previous plans and public input to create a list of priority projects to help achieve the island’s vision for safety, resilience, and affordability. Hele Mai Maui 2040 demonstrated that there is an \$800 million funding gap over the next 20 years needed for transportation improvements. Many of these projects would be advanced if Maui implements a GET surcharge.

As Maui’s population grows, decision makers are tasked with difficult choices as they work to maintain quality of life for residents. Hele Mai Maui 2040 considered many funding options, and GET surcharge emerged as one of the most viable sources identified by State and County partners involved with the MPO. It is estimated that 30-40% of GET surcharge would be borne by visitors.

Please support SB2140 to provide Maui County the opportunity to generate funds for transportation improvements.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
MONDAY, FEBRUARY 3, 2020 AT 11:00 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

COMMENTS ON SB2140 RELATING TO TAXATION

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our comments on SB2140.

Increases in the General Excise Tax impact everyone, from businesses and residents to being another factor that increases the cost of visitor vacations to Hawaii. At a time when the state is working to reduce the cost of living, this surcharge will only increase costs for residents. As the Legislature is also proposing a staggered, but significant minimum wage increase, businesses could have two serious increases to their expenses in one year. Given these effects, we have to look at the collective impact another increase will have to our members, who are residents and business owners and employees and look at the big picture.

That being said, Maui County is looking to make a strong push for development of affordable housing and rentals and we have many roadways requiring significant repairs. However, this bill does not indicate how the funds can be used. In order for us to consider supporting this bill, we would need to see where the money is being directed and see that it must go towards the top priorities of residents and businesses in Maui County.

We appreciate the opportunity to testify on this matter.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.