

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 1363, H.D. 1, Relating to Taxation

**BEFORE THE:**

House Committee on Housing

**DATE:** Wednesday, February 15, 2023

**TIME:** 9:30 a.m.

**LOCATION:** State Capitol, Room 312

Chair Hashimoto, Vice-Chair Aiu, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1363, H.D. 1, for your consideration.

H.B. 1363, H.D. 1, amends section 46-16.8, Hawaii Revised Statutes (HRS), to extend the period in which a county may adopt a surcharge on state tax from March 31, 2019 to December 31, 2023, with the new surcharge being levied beginning on or after January 1, 2025. The measure also authorizes counties that have already adopted a surcharge to amend the authorized use of surcharge revenue, by amending their ordinance prior to December 31, 2023, noting that any county implementing a new surcharge may *only* use the proceeds for housing infrastructure if the county has a population equal to or less than 500,000. The measure has a defective effective date of June 30, 3000.

The Department notes that Maui County has not adopted a county surcharge, while Honolulu, Kauai, and Hawaii counties currently have county surcharges at the maximum 0.5 percent rate.

In the event that Maui County adopts a county surcharge, the Department is able to implement the newly established county surcharge based on the January 1, 2025 effective date.

Department of Taxation Testimony  
HB 1363, H.D. 1  
February 15, 2023  
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Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.  
GOVERNOR



DENISE ISERI-MATSUBARA  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM  
**HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION**

IN REPLY PLEASE REFER TO:

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**LATE**

Statement of  
**DENISE ISERI-MATSUBARA**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON HOUSING**

February 15, 2023 at 9:30 a.m.

State Capitol, Room 312

In consideration of  
**H.B. 1363 HD1**  
**RELATING TO TAXATION.**

HHFDC **strongly supports** H.B. 1363 HD1, which extends the time period a county can adopt a surcharge on the state tax and authorizes the use of county surcharge revenues for housing infrastructure.

The cost of off-site infrastructure is a major barrier to the development of affordable housing statewide. These costs are typically paid for by private housing developers, who in turn, pass them on to homebuyers in the form of higher prices and renters in the form of higher rents.

This bill seeks to offer the counties another source of funding to help pay for infrastructure in order to buy down the cost of housing for the benefit of both renters and home buyers. This measure may help offset some of the burden on the Dwelling Unit Revolving Fund, which is currently being depleted by the State's historical infrastructure obligations in Waiahole Valley and in the Villages of Kapolei.

Thank you for the opportunity to provide testimony.

**RICHARD T. BISSEN, JR.**  
Mayor

**KEKUHAUPIO R. AKANA**  
Acting Managing Director



**OFFICE OF THE MAYOR**  
COUNTY OF MAUI  
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February 14, 2023

**TO:** Honorable Rep. Troy N. Hashimoto, Chair  
Honorable Rep. Micah P.K. Aiu, Vice Chair  
House Committee on Housing

**FROM:** Richard T. Bissen, Jr., Mayor  
Scott Teruya, Director of Finance

**DATE:** February 14, 2023

**SUBJECT: SUPPORT OF HB 1363 HD1, 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 December 31, 2023; authorize, in certain instances, the use of county surcharge revenues for housing infrastructure; and temporarily authorize counties that have previously adopted a surcharge on state tax to amend the rates and uses of the surcharge.

Our administration **SUPPORTS** this measure for the following reasons:

1. According to the Maui Real Estate Report, the median sale price for a single-family home in Maui County is \$1,092,500. A county surcharge on state tax will generate funding to increase capacity to support affordable and workforce housing infrastructure.
2. According to the United States Census, the median household income for a family in Maui County is \$88,249, however, according to the Living Wage Calculator, a living wage for a family of 4 in Maui County is \$118,043. Cost of living in Maui County often prevents residents from purchasing a home, so a county surcharge would support vital funding to providing affordable homeowner opportunities for residents.
3. A county surcharge would provide incentive for developers to design infrastructure in a manner that takes into account state and county planning objectives, long-range planning, or regional or island-wide cohesion.

In addition, may we request that this bill be amended to allow the county surcharge on state tax to be adopted or extended pursuant to section 46-16.8, and be levied beginning January 1, 2024, rather than January 1, 2025.

For the foregoing reasons, we offer our **SUPPORT** of this measure.



COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
HAWAII CHAPTER

February 14, 2023

Representative Troy Hashimoto, Chair  
Representative Micah Aiu, Vice Chair  
Members of the Committee on Housing

RE: **HB1363 – Relating to Taxation**  
**Hearing date: February 15, 2023 at 9:30AM**

Aloha Chair Hashimoto, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii providing **COMMENTS** on HB1363. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB1363 extends the period in which a county may adopt a surcharge on state tax, under certain conditions until 12/31/2023. The measure further authorizes the use of county surcharge revenues for housing infrastructure.

NAIOP Hawaii understands the intent of HB1363, to generate additional GET tax revenue to assist in the housing infrastructure. NAIOP appreciates the State's efforts to encourage the development of housing by preventing a developer from financing the costs of installing infrastructure.

However, the measure adds another layer onto the State GET to pay for affordable housing and its infrastructure. Hawaii is already among the highest taxed states in the country and this measure will increase the already substantial tax burden on our residents. While NAIOP appreciates the Legislature's commitment to designing creative policy solutions, we believe that there are better alternatives for counties to fund housing infrastructure rather than increasing GET taxes.

Mahalo for your consideration,

Jennifer Camp, President  
NAIOP Hawaii

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Allow county revenues to be used for housing infrastructure

BILL NUMBER: HB 1363 HD 1

INTRODUCED BY: House Committee on Labor & Government Operations

EXECUTIVE SUMMARY: Extends the period in which a county may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 12/31/2023. Authorizes the use of county surcharge revenues for housing infrastructure in counties having a population of five hundred thousand or less. Temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the uses of the surcharge.

SYNOPSIS: Adds a new subsection (d) to section 46-16.8, HRS, providing that each county that has previously adopted the county surcharge on state tax may change the rate, or permitted uses of the funds, by ordinance amendment prior to December 31, 2023.

Adds the following as a permissible use of county surcharge revenues for any county with a population less than 500,000 (*i.e.*, excluding Honolulu):

Pedestrian paths or sidewalks on a county road near or around a public school.

Housing infrastructure; provided that a county that uses surcharge revenues for housing infrastructure shall not pass on related infrastructure costs to the developer of a housing project.

Requires that a county adopting a surcharge tax ordinance after December 31, 2022 (namely Maui) use the county surcharge moneys exclusively for housing infrastructure.

Defines "housing infrastructure" as including water, drainage, sewer, waste disposal, and waste treatment systems that connect to the infrastructure of the county.

Amends section 237-8.6 and 238-2.6, HRS, to allow Maui a window between March 31, 2019, and December 31, 2023, to adopt a GET and Use Tax surcharge, and if adopted it would go into effect on or after January 1, 2025.

Makes technical and conforming amendments.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: The county surcharge on the General Excise Tax is used in the City & County of Honolulu to support its rail mass transit project. The law creating the county surcharge for the other counties allowed those counties to use the surcharge funds for transportation infrastructure. Housing costs do not appear to be transportation infrastructure. Thus, the proposed additional use of county surcharge revenue does not seem to be within the

Re: HB 1363 HD1  
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spirit of the law, and raises the question of whether section 46-16.8, HRS, as amended, would be a “general law” that is permissible under Article VIII, section 1 of the Hawaii Constitution for conferring powers upon counties.

Digested: 2/13/2023



*Maui Hotel & Lodging*  
ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

**LATE**

Committee on Water and Land

**House Bill 1363, HD1: Relating to Taxation**

February 15, 2023, 9:30 am

Conference Room 312

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry for Maui County. We represent over 180 property and allied business members and 22,000 employees. **MHLA supports House Bill 1363, HD1**, which extends the period within which a county may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 12/31/2023. Authorizes the use of county surcharge revenues for housing infrastructure in counties having a population of five hundred thousand or less. Temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the uses of the surcharge.

MHLA supports affordable housing. This surcharge would provide much-needed revenue for Maui County to address its affordable-housing crisis by no longer requiring developers to finance the costs of installing infrastructure upfront, and homebuyers would no longer see the costs of infrastructure passed on to them. Costs that too often get added on to new homeowners will no longer be necessary if counties are able to fund infrastructure on their own.

Additionally, this measure would help ensure skilled employees stay in Maui County, providing economic and social benefits to the community instead of leaving because of a lack of housing options.

For these reasons stated above **MHLA supports House Bill 1363, HD1**.

Thank you for the opportunity to provide this testimony.