

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

HOUSE COMMITTEE ON FINANCE

February 27, 2023 at 10:00 a.m.
State Capitol, Room 308

In consideration of
H.B. 1363 HD2
RELATING TO TAXATION.

HHFDC **strongly supports** H.B. 1363 HD2, 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 would also 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.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
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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. 2, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Monday, February 27, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1363, H.D. 2, for your consideration.

H.B. 1363, H.D. 2, 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 January 1, 2024, if the county adopts the ordinance before August 1, 2023 and on January 1, 2025, if the county adopts the ordinance on or after August 1, 2023 but before December 31, 2023. 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.

The Department further notes that H.B. 1363, H.D. 2, will have no material revenue impact on State general funds.

Department of Taxation Testimony
HB 1363, H.D. 2
February 27, 2023
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Finally, 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, 2024 effective date, if the ordinance is adopted on or before August 1, 2023, or January 1, 2025, if the ordinance is adopted on or after August 2, 2023 but before December 31, 2023.

Thank you for the opportunity to provide testimony on this measure.

RICHARD T. BISSEN, JR.
Mayor

KEKUHAUPIO R. AKANA
Acting Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

February 25, 2023

TO: Honorable Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair
House Committee on Housing

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

DATE: February 25, 2023

SUBJECT: SUPPORT OF HB 1363 HD2, 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.

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

HB-1363-HD-2

Submitted on: 2/26/2023 11:39:56 AM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Councilmember Yuki Lei Sugimura	Individual	Support	Written Testimony Only

Comments:

As the Chair of the County of Maui Budget, Finance and Economic Development Committee, I *SUPPORT* House Bill 1363 as it will provide funding to pay for infrastructure for housing for our working families.

Yuki Lei Sugimura, Councilmember, Upcountry

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 2

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: 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.

SYNOPSIS: Adds a new subsection (d) to section 46-16.8, HRS, providing that each county that has adopted the county surcharge on state tax before March 31, 2019, may change the permitted uses of the funds, by ordinance amendment prior to December 31, 2023.

In subsection (g), 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) and adopts a county surcharge before January 1, 2023:

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, 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 provide that a county adopting a surcharge ordinance after March 31, 2019, and on or before August 1, 2023, would go into effect on or after January 1, 2024. If the surcharge ordinance is adopted after August 1, 2023, but before December 31, 2023, it would go into effect on or after January 1, 2025.

Makes technical and conforming amendments.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: There seems to be a drafting error in the bill, because under subsection (g) as it now reads, if a county first adopts a surcharge ordinance in 2023 it will not be able to use the money from it for anything.

The county surcharge on the General Excise Tax is required to be 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 infrastructure costs do not appear to be transportation infrastructure. Thus, the proposed additional use of county surcharge revenue 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: 2/25/2023



Maui Hotel & Lodging
ASSOCIATION

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association

House Committee on Finance
House Bill 1363 HD2: Relating to Taxation
February 27, 2023, 10:00 am
Conference Room 308

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 HD2**, 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, HD2.**

Thank you for the opportunity to provide this testimony.

HB-1363-HD-2

Submitted on: 2/27/2023 9:05:22 AM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	Written Testimony Only

Comments:

The Land Use Research Foundation of Hawaii (LURF) **supports HB 1363, HD2.**

HB 1363, HD2. This bill proposes to extend the period within which a county may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 12/31/2023. It also authorizes the use of county surcharge revenues for housing infrastructure in counties having a population of five hundred thousand or less (Neighbor Island counties). It also temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the uses of the surcharge. The proposed effective date is 6/30/3000.

LURF's Position. This measure offers another source of funding for counties to pay for the costs of off-site housing infrastructure, which is a major barrier to the development of affordable housing, especially on the Neighbor Islands.

If this bill is adopted, the counties would be able to fund the major infrastructure necessary for housing over time using the tax surcharge, and homebuyers would no longer be required to pay up front for the costs of installing government infrastructure. This will result in lower housing prices, making home ownership attainable for more residents.

According to testimony from the Hawaii Housing Finance and Development Corporation, this measure will also help off-set some of the continuing burden on the Dwelling Unit Revolving Fund, which funds the State's ongoing infrastructure obligations for other projects.

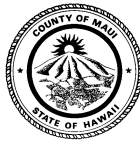
For the above reasons, LURF **supports HB 1363, HD2** and respectfully urges your favorable consideration.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



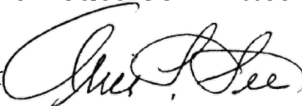
Director of Council Services
Traci N. T. Fujita, Esq.

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
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WAILUKU, MAUI, HAWAII 96793
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February 26, 2023

TO: The Honorable Kyle T. Yamashita, Chair, and
Members of the House Committee on Finance

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 26, 2023; TESTIMONY IN SUPPORT OF
HB 1363, HD2, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The measure grants Maui County the authority to enact a General Excise Tax surcharge until the end of the year and allows the revenue to be used for housing infrastructure.

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. The median sale price for a single-family home in Maui County exceeds \$1 million. A Maui County surcharge on State GET will generate funding to increase capacity to support much-needed affordable and workforce housing infrastructure.
2. According to the 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 four in Maui County is \$118,043. Cost of living in Maui County often prevents residents from purchasing a home. 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, and islandwide cohesion.

For these reasons, I **support** this measure.