

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

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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. 3, S.D. 1, Relating to Taxation

BEFORE THE:

Senate Committee on Ways and Means

DATE: Tuesday, April 4, 2023
TIME: 10:30a.m.
LOCATION: State Capitol, Room 211

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

The Department of Taxation ("Department") offers the following comments regarding H.B. 1363, H.D. 3, S.D. 1, for your consideration.

H.B. 1363, H.D. 3, S.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. The measure also amends sections 237-8.6 and 238-2.6, HRS, by specifying that the new surcharge shall be levied beginning no earlier than January 1, 2024, if the county adopts the ordinance on or before August 1, 2023, and no earlier than January 1, 2025, if the county adopts the ordinance on or after August 2, 2023 but before December 31, 2023.

Additionally, the measure 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. Housing infrastructure is defined within the measure to include water, drainage, sewer, waste disposal, and waste treatment systems that connect to the infrastructure of the county. The bill has a defective effective date of July 1, 2050.

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 in the event that Maui County adopts a county surcharge, the Department is able to implement the newly established county surcharge based on an effective date of January 1, 2024, if the ordinance is adopted on or before August 1, 2023.

The Department estimates a positive revenue impact (in the millions) to the general fund as follows:

FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0

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

JOSH GREEN, M.D.
GOVERNOR



DEAN MINAKAMI
INTERIM EXECUTIVE DIRECTOR

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

IN REPLY PLEASE REFER TO:

677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
PHONE: (808) 587-0620
FAX: (808) 587-0600

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS & MEANS

April 4, 2023 at 10:30 a.m.
State Capitol, Room 211

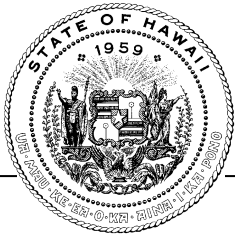
In consideration of
H.B. 1363 HD3 SD1
RELATING TO TAXATION.

HHFDC **strongly supports** H.B. 1363 HD3 SD1, 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 to renters in the form of higher rents.

This bill seeks to offer the counties another source of funding to help pay for infrastructure 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 burdens 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.



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SCOTT J. GLENN
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawai'i 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawai'i 96804

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Statement of
SCOTT GLENN, Interim Director

before the
SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, April 04, 2023, 10:30 AM
State Capitol, Conference Room 211

in consideration of
HB1363, HD3, SD1
RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee on Ways and Means:

The Office of Planning and Sustainable Development (OPSD) **supports** HB1363, HD3, SD1, which extends the period within which a county may adopt a State tax surcharge, authorizes the use of county surcharge revenues for housing infrastructure in counties having a population of five hundred thousand or less, and temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the uses of the surcharge.

OPSD has been working with the counties and other State agencies to identify and plan for regional infrastructure needed to support development of well-located affordable housing statewide. Extending the opt-in period would allow Maui County to adopt the general excise tax surcharge and use it for housing infrastructure, thereby accelerating project delivery and reducing housing costs. The bill would also allow the other neighbor islands to amend the rates and uses of their existing surcharge, such as for housing infrastructure.

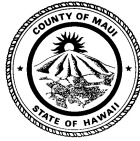
Thank you for the opportunity to testify on this measure.

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

March 31, 2023

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

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF APRIL 3, 2023; TESTIMONY IN SUPPORT OF HB 1363, HD3, SD1, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. This 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 funding to provide homeownership opportunities.
3. In hope and anticipation of this measure being enacted, the Maui County Council is working with Mayor Richard T. Bissen, Jr. and his Administration to begin deliberations on the necessary ordinance for a County GET surcharge.

For the foregoing reasons, I **support** this measure.

RICHARD T. BISSEN, JR.
Mayor

KEKUHAUPIO R. AKANA
Managing Director



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

April 3, 2023

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

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

DATE: April 3, 2023

SUBJECT: SUPPORT OF HB 1363 HD3, SD1, 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.

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 SD 1

INTRODUCED BY: Senate Committees on Housing and Public Safety and Intergovernmental and Military Affairs

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: July 1, 2050.

STAFF COMMENTS: 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. *Bulgo v. County of Maui*, 50 Haw. 51, 430 P.2d 321 (1967).

Digested: 3/31/2023



Maui Metropolitan Planning Organization

April 2, 2023

Testimony of Pamela Eaton
Maui MPO Executive Director
On behalf of Maui MPO Policy Board

Before the Senate Committee on Ways and Means

April 4, 2023 at 10:30 a.m.
Conference Room 211

H.B. 1363, H.D. 3, S.D. 1
Honorable Donovan M. Dela Cruz, Chair
Honorable Gilbert Keith-Agaran, Vice Chair
Honorable Members of the Senate Committee on Ways and Means

The Maui Metropolitan Planning Organization **supports** H.B. 1363, H.D. 3, S.D. 1. The costs of providing off site infrastructure for housing often prohibits the development of workforce and affordable housing. These costs, typically borne by private housing developers, are passed on resulting in much higher home prices for home buyers, and higher rents for renters. Infrastructure that is critical for supporting the development of workforce and affordable housing should also include defray the monthly costs of transportation critical to traveling to and from a job, school, and also retail, commercial and medical services. As important is the ability to get to parks and recreational areas using a variety of transportation options, including but not limited to safe multi-use paths, a fully connected sidewalk network and convenient nearby access to public transit such as Maui Bus stops and transit hubs in close proximity.

Access to sidewalks, parks and public transit should not be considered an “amenity” but instead an expected element of workforce and affordable housing infrastructure needs. Please support the adoption of HB 1363 so that access to multi-modal transportation alternatives, as a critical element of housing infrastructure, can be developed for all.

Thank you for the opportunity to testify in **support** HB 1363, H.D. 3., S.D. 1

Sincerely,

Pamela Eaton

Pam Eaton
Executive Director

April 4, 2023

The Honorable Donovan M. Dela Cruz, Chair

Senate Committee on Ways and Means
State Capitol, Conference Room 211 & Videoconference

RE: House Bill 1363, HD3, SD1, Relating to Housing

HEARING: Tuesday, April 4, 2023, at 10:30 a.m.

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

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its over 11,000 members. HAR **supports** House Bill 1363, HD3, SD1, 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. Effective 7/1/2050.

According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the state needs up to 45,497, housing units to meet demand in Hawai'i by 2030.¹ Ultimately, we have a housing supply problem, and investment is needed to meet our State's housing challenges. Infrastructure is a critical aspect of housing and affordable housing development. The counties play a critical role in ensuring there is sufficient infrastructure to support not only housing but also surrounding community needs. If infrastructure development is not undertaken by the counties and left to developers the cost of infrastructure is added to the cost of housing and passed on to the home buyer. As such, allowing county surcharge revenue to fund housing infrastructure on the neighbor islands can serve as a solution to meet Hawaii's urgent housing needs.

For the foregoing reasons, Hawai'i Association of REALTORS® supports this measure and commends the Legislature for taking the lead on this important issue. Mahalo for the opportunity to testify.

¹ Department of Business, Economic Development & Tourism. (2019). *Hawaii Housing Demand 2020-2030*. <https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf>



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

April 3, 2023

Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith Agaran, Vice Chair
Members of the Committee on Ways
and Means

RE: **HB 1363 HD3 SD1 – Relating to Taxation**
Hearing date: April 4, 2023 at 10:30AM

Aloha Chair Dela Cruz, Vice Chair Dela Cruz and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii providing **COMMENTS** on HB 1363 HD3 SD1. 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.

HB 1363 HD3 SD1 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 HB 1363, 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



LATE

March 16, 2023

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

Testimony in Support of HB 1363, HD3, SD1 RELATING TO TAXATION (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. Effective 7/1/2050. [SD1])

**Tuesday, April 4, 2023, 10:20 AM – Decision Making
State Capitol, Conference Room 211 & Videoconference**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. LURF's mission is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

For over 150 years, LURF members have built homes for Hawaii's working families and residents and supporting infrastructure and have collectively have built the most affordable and market homes in Hawaii.

LURF appreciates the opportunity to provide testimony in **support of HB 1363, HD3, SD1**, 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; and authorizes the use of county surcharge revenues for housing infrastructure in counties having a population of five hundred thousand or less. The bill also temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the uses of the surcharge.

Hawaii has a severe lack of housing supply. According to Department of Business Economic Development and Tourism (DBEDT), the State will need approximately 26,000 to 47,000 housing units to meet Hawaii's estimated demand in Hawaii by 2030.¹

¹ DBEDT, *Housing Demand in Hawaii 2020-2030 (December 2019)* [housing-demand-2019.pdf \(hawaii.gov\)](#)

These future housing units will require substantial infrastructure improvements, including roads, sewers, water, drainage, etc. Over the past twenty years or so, government has required homebuilders to pay millions of dollars up-front to design and build the infrastructure necessary to serve affordable and market housing projects (and dedicate that infrastructure to the county after completion of construction). In some cases, the up-front costs of this infrastructure are passed-on” to new homebuyers and adds over \$100,000 or more to the purchase price of a home in a master-planned community. Across the state, the additional cost of off-site infrastructure is often a major barrier to the development, purchase, or rental of affordable and market housing.

This measure offers another source of funding for counties to pay for the costs of off-site infrastructure for housing. 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 homebuilders would no longer be required to “pay up front” for the costs of installing required infrastructure (which will be “passed-on” to the new homebuyer or renter). This will result in lower home-building costs, which will reduce the price of housing and rents, making home ownership and rentals more attainable for many residents.

According to prior 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 reasons set forth above, LURF is in **support of HB 1363, HD3, SD1**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony in support of this measure.