

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**

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

**SENATE COMMITTEE ON HOUSING  
AND  
SENATE COMMITTEE ON PUBLIC SAFETY AND INTERGOVERNMENTAL AND  
MILITARY AFFAIRS**

February 13, 2023 at 3:00 p.m.  
State Capitol, Room 225

In consideration of  
**S.B. 1568**  
**RELATING TO TAXATION.**

HHFDC **supports** S.B. 1568, 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 by private housing developers, who in turn, pass them on to homebuyers in the form of higher prices.

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 will help off-set 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  
LIEUTENANT GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

*Ka 'Oihana 'Auhau*

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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:**

S.B. No. 1568, Relating to Taxation

**BEFORE THE:**

Senate Committee on Housing and Senate Committee on Public Safety and Intergovernmental & Military Affairs

**DATE:** Monday, February 13, 2023

**TIME:** 3:00 p.m.

**LOCATION:** State Capitol, Room 225

Chairs Chang and Wakai, Vice-Chairs Kanuha and Elefante, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1568 for your consideration.

S.B. 1568 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, however, this new surcharge may *only* be used for housing infrastructure. The measure also authorizes counties that have already adopted a surcharge to amend the rate previously adopted, up to the maximum 0.5 percent rate, or the authorized uses of surcharge revenue, by amending their ordinance prior to December 31, 2023. The measure is effective upon approval.

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 Honolulu, Kauai, and/or Hawaii counties amends their ordinances to change the county surcharge rate, the Department will need time to make the necessary form and system changes. Accordingly, the Department requests that the proposed language in section 46-16.8(d), HRS, on page 7 of the bill, is amended to

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S.B. 1568  
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specify that any change to the county surcharge rate shall not be effective prior to January 1, 2025.

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.

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

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

**KEKUHAUPIO R. AKANA**  
Acting Managing Director



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February 12, 2023

**TO:** Honorable Senator Stanley Chang, Chair  
Honorable Senator Dru Mamo Kanuha, Vice Chair  
Senate Committee on Housing

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

**DATE:** February 12, 2023

**SUBJECT: SUPPORT OF SB 1568, 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.

# 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, SB 1568

**INTRODUCED BY:** HB by YAMASHITA; SB by KEITH-AGARAN

**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. Temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the rates and 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):

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. "Infrastructure" also includes pedestrian paths or sidewalks on a county road near or around a public school.

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:** July 1, 2023; provided that section 2 shall take effect on June 29, 2023.

**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 spirit of the law, and raises the question of whether section 46-16.8, HRS, as amended, would be

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a “general law” that is permissible under Article VIII, section 1 of the Hawaii Constitution for conferring powers upon counties.

Digested: 2/2/2023

Council Chair  
Alice L. Lee



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


Councilmembers  
Tom Cook  
Gabe Johnson  
Tasha Kama  
Tamara Paltin  
Keani N.W. Rawlins-Fernandez  
Shane M. Sinenci  
Yuki Lei K. Sugimura  
Nohelani U'u-Hodgins

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

**COUNTY COUNCIL**  
COUNTY OF MAUI  
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February 11, 2023

TO: The Honorable Stanley Chang, Chair, and  
Members of the Senate Committee on Housing  
  
The Honorable Glenn Wakai, Chair, and  
Members of the Senate Committee on Public Safety and Intergovernmental  
and Military Affairs

FROM: Alice L. Lee  
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 13, 2023; TESTIMONY IN SUPPORT OF SB 1568, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to extend Maui County's time to enact a General Excise Tax surcharge to the end of the year and to authorize the use of county surcharge revenues 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. Maui County is the only County in the State that is not receiving the benefits of the GET surcharge.
2. The 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 up front, and homebuyers would no longer see the costs of infrastructure passed on to them.
3. The County and the State have a mutual interest in supporting infrastructure projects that promote affordable-housing development.
4. 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 the foregoing reasons, I **support** this measure.