

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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IN REPLY PLEASE REFER TO:

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

SENATE COMMITTEE ON WAYS AND MEANS

February 22, 2023 at 9:30 a.m.
State Capitol, Room 211

In consideration of
S.B. 1568 SD1
RELATING TO TAXATION.

HHFDC **supports** S.B. 1568 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 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 ongoing 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, S.D. 1, Relating to Taxation

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 22, 2023

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 211

Chairs Dela Cruz, Vice-Chairs Keith-Agaran, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1568, S.D. 1, for your consideration.

S.B. 1568, S.D. 1, amends section 46-16.8, Hawai'i 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 new surcharge shall be levied beginning on or after January 1, 2025 and 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 amend the authorized uses of surcharge revenue. Any change to the rate or authorized use of surcharge revenue must be made by amendment prior to December 31, 2023, with any change to the rate becoming effective no earlier than January 1, 2025. The measure is effective upon approval.

The Department notes that Maui County has not adopted a county surcharge, while Honolulu, Kauai, and Hawai'i counties currently have county surcharges at the maximum 0.5 percent rate. In the event that Maui County adopts a county surcharge, or Honolulu, Kauai, and/or Hawai'i counties amend their ordinances to change the surcharge rate, the Department will be able to implement the changes by the January 1, 2025 effective date.

Thank you for the opportunity to provide testimony 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



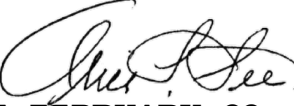
Director of Council Services
Traci N. T. Fujita, Esq.

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

February 19, 2023

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

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 22, 2023; TESTIMONY IN SUPPORT OF SB 1568, SD1, 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 by 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.

RICHARD T. BISSEN, JR.
Mayor

KEKUHAUPIO R. AKANA
Acting Managing Director



LATE

OFFICE OF THE MAYOR
COUNTY OF MAUI
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February 21, 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: February 21, 2023

SUBJECT: SUPPORT OF SB 1568 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.

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: SB 1568 SD 1

INTRODUCED BY: Senate Committees on Housing and Public Safety

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 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 costs do not appear to be transportation infrastructure. Thus, the proposed additional use of county surcharge revenue does not seem to be comparable to the restriction placed on Honolulu, and raises the question of whether section 46-16.8, HRS,

Re: SB 1568 SD1

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as amended, would be a “general law” that is permissible under Article VIII, section 1 of the Hawaii Constitution for conferring powers (or burdens) upon counties.

Digested: 2/19/2023



Maui Hotel & Lodging
ASSOCIATION

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

LATE

Senate Committee on Ways and Means
Senate Bill 1568, SD1: Relating to Taxation
February 22, 2023, 9:30 am
Conference Room 211

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 Senate Bill 1568, SD1**, which 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.

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. Homebuyers would no longer see the infrastructure costs passed on to them. Costs that too often get added on to new homeowners will no longer be necessary if counties can fund infrastructure independently.

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 Senate Bill 1568, SD1.**

Thank you for the opportunity to provide this testimony.

SB-1568-SD-1

Submitted on: 2/17/2023 5:23:53 PM

Testimony for WAM on 2/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

Taxes is Illegal under the Consitution of America.. You are Violating the Costitution wich is the Law of the Land. Violators will be Prosicuted!