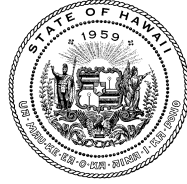


DAVID Y. IGE
GOVERNOR

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DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Agriculture and Environment

The Honorable Lorraine R. Inouye, Chair
and Members of the Senate Committee on Transportation and Energy

Date: Monday, February 6, 2017
Time: 1:15 P.M.
Place: Conference Room 224, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1083, Relating to the Fuel Tax

The Department of Taxation (Department) appreciates the intent of S.B. 1083 and provides the following comments for your consideration.

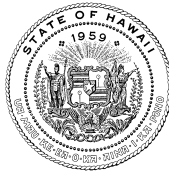
S.B. 1083 requires the Department to print decals to be affixed by every retail dealer to every gas pump in the State, which lists federal, state, and county fuel tax rates. There is a fine for retailers who do not properly affix decals to fuel pumps, enforced by the Department of Agriculture. The fines are deposited in a new special fund created to finance the Department of Agriculture's efforts to police these requirements. An unspecified appropriation is made to allow the Department to print and distribute the decals. The measure is effective on January 1, 2018.

The Department notes that the information provided by the decals described in this measure is already publicly available. If the intention of this measure is to provide that information to each consumer at the point of sale, the issue is one of consumer protection rather than taxation. An easier solution may be to require retailers to furnish the information via signage. This way an appropriation for the cost of producing decals would not be necessary.

The Department defers to the Department of Agriculture regarding its ability to police violations of the proposed statute. Finally, if the Committee wishes to advance this measure, the Department requests that the measure be made effective on July 1, 2018. This will allow the Department time to gather the necessary information and complete the procurement process necessary to furnish the decals as required pursuant to this measure.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON AGRICULTURE AND ENVIRONMENT AND
TRANSPORTATION AND ENERGY
ON
SENATE BILL NO. 1083

February 6, 2017
1:15 p.m.
Room 224

RELATING TO THE FUEL TAX

Senate Bill No. 1083 adds a new section to Chapter 243, HRS, to require every retail dealer to post a tax rate decal on each pump owned or leased by the retail dealer displaying the current federal, State, and county fuel tax, and State license tax on a gallon of gasoline and other liquid fuel sold at the pump. The bill also establishes the Tax Rate Decal Special Fund (TRDSF) to be administered by the Department of Agriculture. Moneys in the TRDSF are to be used for inspection of the fuel pumps for compliance with the requirement to post tax rate decals. The TRDSF will be funded by fines of unspecified amounts imposed on retail dealers who are in violation of the law. There is also unspecified appropriation amounts of general revenues for FY 18 and FY 19 to be expended by the Department of Taxation for the printing and furnishing of tax rate decals.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the

purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 1083, it is difficult to determine whether the fund will be self-sustaining.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Tax Rate Decals at the Pump

BILL NUMBER: HB 948; SB 1083 (Identical)

INTRODUCED BY: HB by TODD, GATES, HOLT, QUINLAN, Aquino, Brower; SB by K. KAHELE, GALUTERIA, Baker, Dela Cruz, Inouye, Wakai

EXECUTIVE SUMMARY: Requires each fuel retailer to put a decal on each pump showing all of the taxes, federal through county, that are assessed on a gallon of gasoline. Tasks the Department of Agriculture with enforcement, and establishes a special fund into which any fines will be deposited. We question why DoA would be the enforcing agency for a tax provision, especially when the same bill is appropriating funds to DOTAX for such things as printing the decals.

BRIEF SUMMARY: Adds a new section to HRS chapter 243 providing that every retail dealer is to post a tax rate decal on each pump. The decal is to display the current rates of federal fuel tax, state fuel tax, fuel tax for each county, and state license tax assessed on a gallon of fuel. Tasks DOTAX with coming up with and printing the decal, and DOA with enforcing this requirement. Provides for a fine of \$_____ per day for each violation, with the monies collected to go to the tax rate decal special fund, described below.

Adds a new section to HRS chapter 486 to establish a tax rate decal special fund. States that the fund money shall be used for inspection of fuel pumps owned or leased by each retail dealer to ensure that a current tax rate decal is displayed on every pump.

Appropriates money to DOTAX for costs associated with the printing and furnishing of tax rate decals.

EFFECTIVE DATE: January 1, 2018.

STAFF COMMENTS: The apparent rationale for the bill, greater transparency and public awareness of the tax components that go into gas prices, is reasonable. Chapter 243 is normally under the jurisdiction of DOTAX. HRS section 231-3(2) gives DOTAX responsibility for the collection of all taxes imposed under title 14, of which chapter 243, the fuel tax law, is a part. We suspect that DoA is chosen to be the enforcing agency because it already needs to inspect the pumps to make sure they are measuring properly and charging consumers accurately. But why the special fund set up to receive the fines for violations? Shouldn't that money go to the general fund or to DOTAX, which needs to create and print the decals?

Digested 2/2/2017

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 11:32 AM
To: TRE Testimony
Cc: micahalameda@gmail.com
Subject: *Submitted testimony for SB1083 on Feb 6, 2017 13:15PM*

SB1083

Submitted on: 2/3/2017

Testimony for TRE/AEN on Feb 6, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Micah Alameda	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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