



GOV. MSG. NO. 1349

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 14, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 14, 2015, the following bill was signed into law:

HB134 HD1 SD2 CD1

RELATING TO TAXATION
ACT 240 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to address the
2 county surcharge on state general excise and use taxes.

3 More specifically, this Act:

4 (1) Authorizes the extension of the surcharge by any
5 county that has adopted an ordinance to establish the
6 surcharge prior to the effective date of this Act;

7 (2) Authorizes other counties to adopt ordinances
8 establishing the surcharge;

9 (3) For counties with a population greater than five
10 hundred thousand:

11 (A) Limits the use of surcharge revenues to "capital
12 costs"; and

13 (B) Expands the definition of "capital costs"; and

14 (4) Amends the definition of "public lands" to include the
15 air rights over any portion of state land upon which a
16 county mass transit project is developed after July
17 11, 2005.



1 SECTION 2. This Act shall not affect the validity or
2 effect of any surcharge on state tax adopted pursuant to Act
3 247, Session Laws of Hawaii 2005, prior to the effective date of
4 this Act.

5 SECTION 3. Section 46-16.8, Hawaii Revised Statutes, is
6 amended to read as follows:

7 " ~~[+]~~ §46-16.8 ~~[+]~~ County surcharge on state tax. (a) Each
8 county may establish a surcharge on state tax at the rates
9 enumerated in sections 237-8.6 and 238-2.6. A county electing
10 to establish this surcharge shall do so by ordinance; provided
11 that:

12 (1) No ordinance shall be adopted until the county has
13 conducted a public hearing on the proposed ordinance;

14 (2) The ordinance shall be adopted prior to December 31,
15 2005; and

16 (3) No county surcharge on state tax that may be
17 authorized under this ~~[section]~~ subsection shall be
18 levied prior to January 1, 2007 ~~[+]~~, or after December
19 31, 2022, unless extended pursuant to subsection (b).

20 Notice of the public hearing required under paragraph (1) shall
21 be published in a newspaper of general circulation within the



1 county at least twice within a period of thirty days immediately
2 preceding the date of the hearing.

3 ~~[(b)]~~ A county electing to exercise the authority granted
4 under this ~~[section]~~ subsection shall notify the director of
5 taxation within ten days after the county has adopted a
6 surcharge on state tax ordinance and, beginning no earlier than
7 January 1, 2007, the director of taxation shall levy, assess,
8 collect, and otherwise administer the county surcharge on state
9 tax.

10 (b) Each county that has established a surcharge on state
11 tax prior to the effective date of this Act under authority of
12 subsection (a) may extend the surcharge from January 1, 2023,
13 until December 31, 2027, at the same rates. A county electing
14 to extend this surcharge shall do so by ordinance; provided
15 that:

16 (1) No ordinance shall be adopted until the county has
17 conducted a public hearing on the proposed ordinance;
18 and

19 (2) The ordinance shall be adopted prior to July 1, 2016,
20 but no earlier than July 1, 2015.



1 A county electing to exercise the authority granted under
2 this subsection shall notify the director of taxation within ten
3 days after the county has adopted an ordinance extending the
4 surcharge on state tax. Beginning on January 1, 2023, the
5 director of taxation shall levy, assess, collect, and otherwise
6 administer the extended surcharge on state tax.

7 (c) Each county that has not established a surcharge on
8 state tax prior to the effective date of this Act may establish
9 the surcharge at the rates enumerated in sections 237-8.6 and
10 238-2.6. A county electing to establish this surcharge shall do
11 so by ordinance; provided that:

12 (1) No ordinance shall be adopted until the county has
13 conducted a public hearing on the proposed ordinance;

14 (2) The ordinance shall be adopted prior to July 1, 2016,
15 but no earlier than July 1, 2015; and

16 (3) No county surcharge on state tax that may be
17 authorized under this subsection shall be levied prior
18 to January 1, 2018, or after December 31, 2027.

19 A county electing to exercise the authority granted under
20 this subsection shall notify the director of taxation within ten
21 days after the county has adopted a surcharge on state tax



1 ordinance. Beginning on January 1, 2018, the director of
2 taxation shall levy, assess, collect, and otherwise administer
3 the county surcharge on state tax.

4 (d) Notice of the public hearing required under subsection
5 (b) or (c) before adoption of an ordinance establishing or
6 extending the surcharge on state tax shall be published in a
7 newspaper of general circulation within the county at least
8 twice within a period of thirty days immediately preceding the
9 date of the hearing.

10 [~~e~~] (e) Each county with a population greater than five
11 hundred thousand that adopts or extends a county surcharge on
12 state tax ordinance pursuant to subsection (a) or (b) shall use
13 the surcharges received from the State for:

14 (1) [~~Operating or capital~~] Capital costs of a locally
15 preferred alternative for a mass transit project; and

16 (2) Expenses in complying with the Americans with
17 Disabilities Act of 1990 with respect to paragraph

18 (1).

19 The county surcharge on state tax shall not be used to build or
20 repair public roads or highways, bicycle paths, or support



1 public transportation systems already in existence prior to July
2 12, 2005.

3 ~~[(d)]~~ (f) Each county with a population equal to or less
4 than five hundred thousand that adopts a county surcharge on
5 state tax ordinance pursuant to ~~[subsection (a)]~~ this section
6 shall use the surcharges received from the State for:

- 7 (1) Operating or capital costs of public transportation
8 within each county for public transportation systems,
9 including public roadways or highways, public buses,
10 trains, ferries, pedestrian paths or sidewalks, or
11 bicycle paths; and
- 12 (2) Expenses in complying with the Americans with
13 Disabilities Act of 1990 with respect to paragraph
14 (1).

15 ~~[(e)]~~ (g) As used in this section, "capital costs" means
16 nonrecurring costs required to construct a transit facility or
17 system, including debt service, costs of land acquisition and
18 development, acquiring of rights-of-way, planning, design, and
19 construction, and including equipping and furnishing the
20 facility or system. For a county with a population greater than
21 five hundred thousand, capital costs also include non-recurring



1 personal services and other overhead costs that are not intended
2 to continue after completion of construction of the minimum
3 operable segment of the locally preferred alternative for a mass
4 transit project."

5 SECTION 4. Section 171-2, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "§171-2 Definition of public lands. "Public lands" means
8 all lands or interest therein in the State classed as government
9 or crown lands previous to August 15, 1895, or acquired or
10 reserved by the government upon or subsequent to that date by
11 purchase, exchange, escheat, or the exercise of the right of
12 eminent domain, or in any other manner; including lands accreted
13 after May 20, 2003, and not otherwise awarded, submerged lands,
14 and lands beneath tidal waters that are suitable for
15 reclamation, together with reclaimed lands that have been given
16 the status of public lands under this chapter, except:

- 17 (1) Lands designated in section 203 of the Hawaiian Homes
18 Commission Act, 1920, as amended;
- 19 (2) Lands set aside pursuant to law for the use of the
20 United States;
- 21 (3) Lands being used for roads and streets;



- 1 (4) Lands to which the United States relinquished the
2 absolute fee and ownership under section 91 of the
3 Hawaiian Organic Act prior to the admission of Hawaii
4 as a state of the United States unless subsequently
5 placed under the control of the board of land and
6 natural resources and given the status of public lands
7 in accordance with the state constitution, the
8 Hawaiian Homes Commission Act, 1920, as amended, or
9 other laws;
- 10 (5) Lands to which the University of Hawaii holds title;
- 11 (6) Lands to which the Hawaii housing finance and
12 development corporation in its corporate capacity
13 holds title;
- 14 (7) Lands to which the Hawaii community development
15 authority in its corporate capacity holds title;
- 16 (8) Lands to which the department of agriculture holds
17 title by way of foreclosure, voluntary surrender, or
18 otherwise, to recover moneys loaned or to recover
19 debts otherwise owed the department under chapter 167;
- 20 (9) Lands that are set aside by the governor to the Aloha
21 Tower development corporation; lands leased to the



1 Aloha Tower development corporation by any department
2 or agency of the State; or lands to which the Aloha
3 Tower development corporation holds title in its
4 corporate capacity;

5 (10) Lands that are set aside by the governor to the
6 agribusiness development corporation; lands leased to
7 the agribusiness development corporation by any
8 department or agency of the State; or lands to which
9 the agribusiness development corporation in its
10 corporate capacity holds title; and

11 (11) Lands to which the high technology development
12 corporation in its corporate capacity holds title[-];
13 provided that, except as otherwise limited under federal law and
14 except for state land used as an airport as defined in section
15 262-1, public lands shall include the air rights over any
16 portion of state land upon which a county mass transit project
17 is developed after July 11, 2005."

18 SECTION 5. Section 237-8.6, Hawaii Revised Statutes, is
19 amended by amending subsection (b) to read as follows:

20 "(b) Each county surcharge on state tax that may be
21 adopted or extended pursuant to section [~~46-16.8(a)~~] 46-16.8



1 shall be levied beginning in the taxable year after the adoption
2 of the relevant county ordinance; provided that no surcharge on
3 state tax may be levied [~~prior~~]:

4 (1) Prior to:

5 (A) January 1, 2007[-], if the county surcharge on
6 state tax was established by an ordinance adopted
7 prior to December 31, 2005; or

8 (B) January 1, 2018, if the county surcharge on state
9 tax was established by the adoption of an
10 ordinance after June 30, 2015, but prior to July
11 1, 2016; and

12 (2) After December 31, 2027."

13 SECTION 6. Section 238-2.6, Hawaii Revised Statutes, is
14 amended by amending subsection (b) to read as follows:

15 "(b) Each county surcharge on state tax that may be
16 adopted or extended shall be levied beginning in the taxable
17 year after the adoption of the relevant county ordinance;
18 provided that no surcharge on state tax may be levied [~~prior~~]:

19 (1) Prior to:



1 (A) January 1, 2007[-], if the county surcharge on
2 state tax was established by an ordinance adopted
3 prior to December 31, 2005; or

4 (B) January 1, 2018, if the county surcharge on state
5 tax was established by the adoption of an
6 ordinance after June 30, 2015, but prior to July
7 1, 2016; and

8 (2) After December 31, 2027."

9 SECTION 7. Act 247, Session Laws of Hawaii 2005, is
10 amended by amending section 9 to read as follows:

11 "SECTION 9. This Act shall take effect upon its approval;
12 provided that:

13 (1) If none of the counties of the State adopt an
14 ordinance to levy a county surcharge on state tax by
15 December 31, 2005, this Act shall be repealed and
16 section 437D-8.4, Hawaii Revised Statutes, shall be
17 reenacted in the form in which it read on the day
18 prior to the effective date of this Act;

19 (2) If any county does not adopt an ordinance to levy a
20 county surcharge on state tax by December 31, 2005, it
21 shall be prohibited from adopting such an ordinance



1 pursuant to this Act, unless otherwise authorized by
2 the legislature through a separate legislative act;
3 and

4 (3) If an ordinance to levy a county surcharge on state
5 tax is adopted by December 31, 2005:

6 (A) The ordinance shall be repealed on December 31,
7 2022; provided that the repeal of the ordinance
8 shall not affect the validity or effect of an
9 ordinance to extend a surcharge on state tax
10 adopted pursuant to Act , Session Laws of
11 Hawaii 2015;

12 (B) This Act shall be repealed on December 31,
13 [~~2022~~] 2027; and

14 (C) Section 437D-8.4, Hawaii Revised Statutes, shall
15 be reenacted in the form in which it read on the
16 day prior to the effective date of this Act [-];
17 provided that the amendments made to section
18 437D-8.4, Hawaii Revised Statutes, by Act 226,
19 Session Laws of Hawaii 2008, as amended by Act
20 11, Session Laws of Hawaii 2009, and Act 110,



1 Session Laws of Hawaii 2014, shall not be
2 repealed."

3 SECTION 8. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 9. This Act shall take effect on July 1, 2015.

APPROVED this 14 day of JUL , 2015



GOVERNOR OF THE STATE OF HAWAII

