
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 46-16.8, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) Each county that has established a surcharge on state
4 tax prior to [+]July 1, 2015, [+] under authority of subsection
5 (a) may extend the surcharge [~~from~~] beyond January 1, 2023,
6 [~~until December 31, 2027,~~] at the [~~same~~] rates[-] enumerated in
7 sections 237-8.6 and 238-2.6. A county electing to extend this
8 surcharge shall do so by ordinance; provided that:

9 (1) No ordinance shall be adopted until the county has
10 conducted a public hearing on the proposed ordinance;
11 and

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

14 A county electing to exercise the authority granted under
15 this subsection shall notify the director of taxation within ten
16 days after the county has adopted an ordinance extending the
17 surcharge on state tax. Beginning on January 1, 2023, the



1 director of taxation shall levy, assess, collect, and otherwise
2 administer the extended surcharge on state tax."

3 SECTION 2. Section 237-8.6, Hawaii Revised Statutes, is
4 amended by amending subsections (a) and (b) to read as follows:

5 "(a) The county surcharge on state tax, upon the adoption
6 of county ordinances and in accordance with the requirements of
7 section 46-16.8, shall be levied, assessed, and collected as
8 provided in this section on all gross proceeds and gross income
9 taxable under this chapter. No county shall set the surcharge
10 on state tax at a rate greater than:

11 (1) ~~[one-half]~~ 0.5 per cent if prior to January 1, 2023;

12 and

13 (2) 0.375 per cent if after December 31, 2022;

14 of all gross proceeds and gross income taxable under this
15 chapter. All provisions of this chapter shall apply to the
16 county surcharge on state tax. With respect to the surcharge,
17 the director of taxation shall have all the rights and powers
18 provided under this chapter. In addition, the director of
19 taxation shall have the exclusive rights and power to determine
20 the county or counties in which a person is engaged in business
21 and, in the case of a person engaged in business in more than



1 one county, the director shall determine, through apportionment
2 or other means, that portion of the surcharge on state tax
3 attributable to business conducted in each county.

4 (b) Each county surcharge on state tax that may be adopted
5 or extended pursuant to section 46-16.8 shall be levied
6 beginning in the taxable year after the adoption of the relevant
7 county ordinance; provided that no surcharge on state tax may be
8 levied[+]

9 ~~(1) Prior~~ prior to:

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

13 [~~B~~] (2) January 1, 2018, if the county surcharge on state
14 tax was established by the adoption of an
15 ordinance after June 30, 2015, but prior to
16 July 1, 2016 [~~and~~

17 ~~(2) After December 31, 2027]~~."

18 SECTION 3. Section 238-2.6, Hawaii Revised Statutes, is
19 amended by amending subsections (a) and (b) to read as follows:

20 "(a) The county surcharge on state tax, upon the adoption
21 of county ordinances and in accordance with the requirements of



1 section 46-16.8, shall be levied, assessed, and collected as
2 provided in this section on all gross proceeds and gross income
3 taxable under this chapter. No county shall set the surcharge
4 on state tax at a rate greater than:

5 (1) ~~[one-half]~~ 0.5 per cent if prior to January 1, 2023;
6 and

7 (2) 0.375 per cent if after December 31, 2022;

8 of all gross proceeds and gross income taxable under this
9 chapter. All provisions of this chapter shall apply to the
10 county surcharge on state tax. With respect to the surcharge,
11 the director of taxation shall have all the rights and powers
12 provided under this chapter. In addition, the director of
13 taxation shall have the exclusive rights and power to determine
14 the county or counties in which a person is engaged in business
15 and, in the case of a person engaged in business in more than
16 one county, the director shall determine, through apportionment
17 or other means, that portion of the surcharge on state tax
18 attributable to business conducted in each county.

19 (b) Each county surcharge on state tax that may be adopted
20 or extended shall be levied beginning in the taxable year after



1 the adoption of the relevant county ordinance; provided that no
2 surcharge on state tax may be levied[+]

3 ~~(1) Prior~~ prior to:

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

7 [~~(B)~~] (2) January 1, 2018, if the county surcharge on state
8 tax was established by the adoption of an
9 ordinance after June 30, 2015, but prior to
10 July 1, 2016 [~~and~~

11 ~~(2) After December 31, 2027]~~."

12 SECTION 4. Section 248-2.6, Hawaii Revised Statutes, is
13 amended as follows:

14 1. By amending subsection (a) to read:

15 "(a) If adopted by county ordinance, all county surcharges
16 on state tax collected by the director of taxation shall be paid
17 into the state treasury quarterly, within ten working days after
18 collection, and shall be placed by the director of finance in
19 special accounts. Out of the revenues generated by county
20 surcharges on state tax paid into each respective state treasury
21 special account, the director of finance shall deduct [~~ten per~~



1 ~~cent]~~ the following percentage of the gross proceeds of a
2 respective county's surcharge on state tax to reimburse the
3 State for the costs of assessment, collection, and disposition
4 of the county surcharge on state tax incurred by the State[-]:

5 (1) Prior to January 1, 2018, ten per cent; and

6 (2) After December 31, 2017, five per cent.

7 Amounts retained shall be general fund realizations of the
8 State."

9 2. By amending subsection (d) to read:

10 "(d) After the deduction and withholding of the costs
11 under subsections (a) and (b), the director of finance shall pay
12 the remaining balance on [{}a{}] quarterly basis to the director
13 of finance of each county that has adopted a county surcharge on
14 state tax under section 46-16.8. The quarterly payments shall
15 be made after the county surcharges on state tax have been paid
16 into the state treasury special accounts or after the
17 disposition of any tax appeal, as the case may be. All county
18 surcharges on state tax collected shall be distributed by the
19 director of finance to the county in which the county surcharge
20 on state tax is generated and shall be a general fund
21 realization of the county, to be used for the purposes specified



1 in section 46-16.8 by each of the counties [-]; provided that no
2 county surcharges on state tax collected shall be distributed to
3 a county, pursuant to this subsection, unless the county in
4 which the county surcharge on state tax is generated provides
5 matching funds in an amount equal to twenty-five per cent of the
6 county surcharges to be distributed (i.e., for every \$3 in
7 county surcharges to be distributed, the county shall provide
8 matching funds of \$1); and provided further that a county's
9 matching funds shall not consist of any county surcharges on
10 state tax distributed to that county under this section."

11 SECTION 5. Act 247, Session Laws of Hawaii 2005, as
12 amended by Act 240, Session Laws of Hawaii 2015, is amended by
13 amending section 9 to read as follows:

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

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



1 (2) If any county does not adopt an ordinance to levy a
 2 county surcharge on state tax by December 31, 2005, it
 3 shall be prohibited from adopting such an ordinance
 4 pursuant to this Act, unless otherwise authorized by
 5 the legislature through a separate legislative act;
 6 and

7 (3) If an ordinance to levy a county surcharge on state
 8 tax is adopted by December 31, 2005[+]

9 ~~(A) The~~, the ordinance shall be repealed on December
 10 31, 2022; provided that the repeal of the
 11 ordinance shall not affect the validity or effect
 12 of an ordinance to extend a surcharge on state
 13 tax adopted pursuant to Act 240, Session Laws of
 14 Hawaii 2015[+]

15 ~~(B) This Act shall be repealed on December 31, 2027;~~
 16 and

17 ~~(C) Section 437D-8.4, Hawaii Revised Statutes, shall~~
 18 ~~be reenacted in the form in which it read on the~~
 19 ~~day prior to the effective date of this Act;~~
 20 ~~provided that the amendments made to section~~
 21 ~~437D-8.4, Hawaii Revised Statutes, by Act 226,~~



H.B. NO. 349

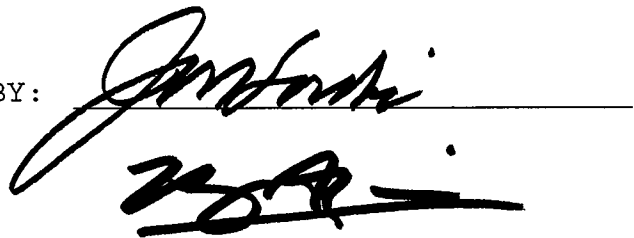
1 ~~Session Laws of Hawaii 2008, as amended by Act~~
2 ~~11, Session Laws of Hawaii 2009, and Act 110,~~
3 ~~Session Laws of Hawaii 2014, shall not be~~
4 ~~repealed]."~~

5 SECTION 6. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 7. This Act shall take effect on July 1, 2017.

8

INTRODUCED BY:



JAN 20 2017



H.B. NO. 349

Report Title:

County Surcharge on State Tax

Description:

Authorizes a county that has established a county surcharge on state tax to make the surcharge permanent. Reduces the rate of the surcharge from 0.5% to 0.375% after 12/31/22. Reduces the amount deducted from the county surcharge on state tax to reimburse the State for costs of assessment, collection, and disposition from 10% to 5%. Requires counties to provide matching funds in order to receive surcharge proceeds.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

