

STAND. COM. REP. NO.

1766

Honolulu, Hawaii

April 7, 2017

RE: S.B. No. 1183
S.D. 2
H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 1183, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize a county that has established a county surcharge on state tax to extend the surcharge for a limited time period;
- (2) Authorize counties that have not established a surcharge on state tax to do so by a certain time;
- (3) Provide that the State shall retain an unspecified portion of the surcharge for:
 - (A) Reimbursement for the assessment, collection, and disposition of the county surcharge; and
 - (B) The Department of Transportation for state highway projects; and



- (4) Require the Mayor of a county that has established a county surcharge on state tax to submit certain financial plans to the Legislature regarding the mass transit project.

The Department of Transportation, Mayor of the City and County of Honolulu, Honolulu Authority for Rapid Transportation, Hawaii State AFL-CIO, Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, International Longshore and Warehouse Union Local 142, United Public Workers, AFSCME, Local 646, AFL-CIO, Hawaii Business Roundtable, Painting Industry of Hawaii Labor Management Cooperation Trust Fund, Hawaii Tapers Market Recovery Trust Fund, Hawaii Glaziers, Architectural Metal Glassworkers Local Union 1889 AFL-CIO Stabilization Trust Fund, Carpet, Linoleum and Soft Tile Local Union 1926 Market Recovery Trust Fund, Pacific Resource Partnership, The Chamber of Commerce Hawaii, Kapolei Chamber of Commerce, Hawaiian Electric Industries, General Contractors Association of Hawaii, AARP Hawaii, Hawaii Bicycling League, West Oahu Economic Development Association, Chinatown Business and Community Association, Hawaii Operating Engineers Industry Stabilization Fund, Building Industry Association of Hawaii, Castle & Cooke Hawaii, Hawaii Construction Alliance, Chinatown Merchants Association, International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers, Local 625, AFL-CIO, and numerous individuals testified in support of this measure. Financial Accountability for Rail Mass Transit, Honolulu Transit Task Force, SalvagetheRail.org, and numerous concerned individuals opposed this measure. The Department of Taxation, Department of Budget and Finance, Honolulu City Council, Tax Foundation of Hawaii, James Campbell Company LLC, Move Oahu Forward, Ulupono Initiative, Blue Planet Foundation, Hawaii's Thousand Friends, Hawaii Laborers-Employers Cooperation and Education Trust, Kapolei-Makakilo-Honokai Hale Neighborhood Board No. 34, Hawaii Kai Neighborhood Board, Faith Action for Community Equity, Housing Now Coalition, and several individuals provided comments.

Your Committee has amended this measure by:

- (1) Removing the preamble;
- (2) Extending the authorization of the county surcharge on state tax for an additional two years; provided that certain conditions are met;



- (3) Reducing by six months, the timeframe for a county to adapt an ordinance to establish a surcharge on state tax;
- (4) Specifying that revenues derived from the county surcharge on state tax shall not be used for operating costs of the mass transit project or administrative, operating, or personnel costs of the rapid transit authority charged with the responsibility of constructing or operating the mass transit project;
- (5) Prohibiting the disbursement of surcharge revenues after December 31, 2017, to a county that:
 - (A) Prohibits the use of county funds for capital costs of a locally preferred alternative for a mass transit project; or
 - (B) Uses county surcharge revenues for purposes other than those capital costs;
- (6) Reducing the amount deducted from the county surcharge on state tax to reimburse the State for administrative costs from 10 percent to 1 percent;
- (7) Deleting language that requires the mayor of a county establishing a surcharge on state tax to submit certain financial plans to the legislature;
- (8) Changing its effective date to upon its approval; and making the enactment of the Act contingent upon a county with a population greater than five hundred thousand complying with certain specified conditions; and
- (9) Making technical nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1183, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1183, S.D. 2, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Finance,



SYLVIA LUKE, Chair



