
A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION FOR DEPARTMENT OF TAXATION
COUNTY SURCHARGE IMPLEMENTATION COSTS.

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

1 SECTION 1. This Act is recommended by the governor for
2 immediate passage in accordance with section 9 of article VII of
3 the Constitution of the State of Hawaii.

4 SECTION 2. The purpose of this Act is to make an emergency
5 appropriation to the department of taxation to address
6 unbudgeted expenses incurred by the department in implementing
7 the administration of the county surcharge on state general
8 excise tax provided for under section 46-16.8, Hawaii Revised
9 Statutes.

10 SECTION 3. Act 247, Session Laws of Hawaii 2005,
11 authorized the counties to adopt a county surcharge on state
12 general excise tax, the revenue from which was to be deposited
13 for the benefit of any adopting county. The purpose of the
14 county surcharge was to provide the counties with a means of
15 financing a preferred mass transit alternative. Act 247 placed
16 the burden of administering and collecting the county surcharge
17 on the department of taxation. The burdens of administering the



1 county surcharge include assessment, collection, processing,
2 accounting, and enforcement of the surcharge for the benefit of
3 an enacting county.

4 Although Act 247 placed the administrative duties of county
5 surcharge collection on the department of taxation, Act 247
6 contained no appropriation to offset the direct costs incident
7 to administering the county surcharge.

8 The city and county of Honolulu was the only county to
9 adopt a county surcharge on state general excise tax. Adopting
10 this surcharge triggered the department of taxation's
11 responsibilities regarding assessment and collection of the
12 surcharge.

13 Assessment, collection, processing, accounting, and
14 enforcement of the county surcharge imposed a substantial
15 financial burden on the department of taxation that was not
16 addressed by Act 247. Costs incurred by the department of
17 taxation include:

- 18 (1) Substantial computer upgrades;
- 19 (2) Substantial personnel and professional time;
- 20 (3) Public outreach; and
- 21 (4) Additional personnel to assist with the department's
22 other obligations.



1 In response to the department of taxation's unfunded
2 mandate to assess and collect the county surcharge, the city and
3 county of Honolulu agreed to guarantee the department of
4 taxation's costs of up to \$5,000,000. This guarantee is for
5 costs that have been incurred until the legislature can consider
6 this emergency appropriation to pay vendor and other costs.
7 This appropriation is an emergency because the city and county
8 of Honolulu guarantees the \$5,000,000 payment only if the
9 legislature does not appropriate funds through this Act by March
10 30, 2007.

11 The legislature finds that this emergency appropriation is
12 necessary and in the best interests of the public to ensure that
13 the city and county of Honolulu's county surcharge on the
14 general excise tax does not adversely impact the city and county
15 of Honolulu's mass transit project or its ability to obtain
16 federal funding. The emergency appropriation is also necessary
17 to relieve the city and county of Honolulu of its guarantee.

18 SECTION 4. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$5,000,000 or so much
20 thereof as may be necessary for fiscal year 2006-2007 to the
21 department of taxation to reimburse the costs incurred for



1 implementing and administering the county surcharge on the
2 general excise tax, including the costs of the computer vendor.

3 The sum appropriated shall be expended by the department of
4 taxation for the purposes of this Act.

5 SECTION 5. In accordance with section 9 of article VII of
6 the Constitution of the State of Hawaii and sections 37-91 and
7 37-93, Hawaii Revised Statutes, the legislature has determined
8 that the general fund expenditure ceiling for fiscal year 2006-
9 2007 (established at \$5,357,987,705 on November 8, 2006) has
10 already been exceeded by \$90,137,694 or 1.68 per cent. The
11 appropriations contained in this Act will cause the state
12 general fund expenditure ceiling for fiscal year 2006-2007 to be
13 exceeded by an additional \$5,000,000, or an additional 0.093 per
14 cent. The calculation contained in the foregoing sentence
15 relates only to the amount of general funds appropriated in this
16 Act for fiscal year 2006-2007. The reason for exceeding the
17 general fund expenditure ceiling is that the appropriation made
18 in this Act is necessary to ensure that the city and county of
19 Honolulu's county surcharge on the general excise tax does not
20 adversely impact the city and county of Honolulu's mass transit
21 project or its ability to obtain federal funding.

22 SECTION 6. This Act shall take effect upon its approval.



REPORT Title:

Emergency Appropriation; Department of Taxation

Description:

Authorizes an emergency appropriation of \$5,000,000 for the costs incurred in administering the county surcharge on state general excise tax. (SB1500 HD1)

