

JAN 20 2012

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that, particularly during
2 times of great economic strife, the State, as well as the
3 counties, must explore all available options not only to ensure
4 the provision of basic health and safety needs but also to
5 preserve the quality of life for its residents.

6 The legislature further finds that in order to protect and
7 best provide for its constituencies, residents may be better
8 served through the ability of the counties to demonstrate

9 flexibility and provide innovative approaches to local problems.

10 Currently, the counties are dependent on the receipt of state
11 funds to help alleviate any budget shortfalls, due primarily to
12 the fact that the only other consistent independent source of
13 revenues is funds received from the real property tax. While

14 increases in the real property tax may be necessary, the
15 counties have also requested the discretion to establish an

16 additional revenue source that applies more broadly to all

17 individuals within their jurisdictions, not only real property

18 owners. This authority is essential, given the current economic



1 climate, which has many of the State's residents facing
2 continued layoffs, furloughs, and other reductions in salary or
3 working hours that will result in additional financial
4 difficulties, including foreclosures on real property.

5 By augmenting the purview of the counties' governance, the
6 counties will be able to demonstrate greater self-sufficiency.
7 The legislature finds that enhanced taxing authority for the
8 counties, a responsibility that the counties have indicated a
9 willingness to undertake through previous requests, will provide
10 for the most equitable means for the counties to generate the
11 revenues needed to ensure the continued provision of vital
12 programs and services in these trying and tough economic times.

13 The purpose of this Act is to authorize each county to
14 implement a retail sales tax of up to two per cent on the sale
15 of tangible personal property.

16 SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended
17 by adding a new section to be appropriately designated and to
18 read as follows:

19 "§46- Retail sales tax on tangible personal property.

20 (a) Subject to this section, any county may exercise all
21 functions, powers, and duties relating to a retail sales tax and



1 may impose a retail sales tax of up to two per cent on the
2 retail sale of tangible personal property.

3 (b) The retail sales tax shall be levied and assessed on,
4 and collected from a consumer for the county by the retail
5 seller of tangible personal property. The retail sales tax
6 shall be levied on the price of tangible personal property sold
7 to a consumer before the imposition of the general excise tax
8 under chapter 237 on the amounts received by the retail seller.
9 The retail sales tax collected from the consumer by the retail
10 seller shall not be subject to the general excise tax under
11 chapter 237. Each county that adopts a retail sales tax shall
12 immediately notify the department of taxation. The retail sales
13 tax shall take effect two years after the date of the adoption
14 of a retail sales tax ordinance in that county.

15 (c) Each county shall be responsible for the assessment
16 and collection of the retail sales tax; provided that a county
17 may authorize the department of taxation to assess and collect
18 the retail sales tax for distribution to the county imposing the
19 tax; provided further that, if a county authorizes the
20 department of taxation to assess and collect the retail sales
21 tax for distribution to the county, the department of taxation
22 shall retain five per cent of the amount assessed and collected



as reimbursement for the costs of the assessment and collection
incurred by the State. The department of taxation may adopt
rules pursuant to chapter 91 and create forms as necessary to
carry out the purposes of this section.

(d) Each county may provide for exemptions from the retail sales tax for certain tangible personal property pursuant to the adoption of rules under chapter 91 or the enactment of ordinances.

(e) As used in this section:

"Retail sales" means the sale of tangible personal property
to the final consumer.

"Tangible personal property" has the same meaning as in
section 235-110.7."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2012.

INTRODUCED BY:

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Report Title:

Counties; Retail Sales Tax

Description:

Authorizes each county to establish a retail sales tax of up to two per cent on sales of tangible personal property from a retailer to a consumer; requires the retail sales tax to take effect two years after the date of the adoption of the tax in that county.

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