
A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

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

"(b) Each county that has established a surcharge on state tax prior to ~~[+]July 1, 2015, [+]~~ under authority of subsection (a) may extend the surcharge ~~[from January 1, 2023, until December 31, 2027,]~~ in perpetuity at the same rates. A county electing to extend this surcharge shall do so by ordinance; provided that ~~[+~~

~~(1) No] no~~ ordinance shall be adopted until the county has conducted a public hearing on the proposed ordinance ~~[+~~ and

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

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



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

3 (c) Each county that has not established a surcharge on
4 state tax prior to [~~July 1, 2015,~~] July 1, 2017, may establish
5 the surcharge at the rates enumerated in sections 237-8.6 and
6 238-2.6. A county electing to establish this surcharge shall do
7 so by ordinance; provided that:

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

10 [~~(2) The ordinance shall be adopted prior to July 1, 2016,~~
11 ~~but no earlier than July 1, 2015,~~] and

12 [~~(3)~~] (2) No county surcharge on state tax that may be
13 authorized under this subsection shall be levied prior
14 to January 1, 2018 [~~, or after December 31, 2027~~].

15 A county electing to exercise the authority granted under
16 this subsection shall notify the director of taxation within ten
17 days after the county has adopted a surcharge on state tax
18 ordinance. Beginning on January 1, 2018, the director of
19 taxation shall levy, assess, collect, and otherwise administer
20 the county surcharge on state tax."



1 SECTION 2. Section 248-2.6, Hawaii Revised Statutes, is
2 amended as follows:

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

4 "(a) If adopted by county ordinance, all county surcharges
5 on state tax collected by the director of taxation shall be paid
6 into the state treasury [~~quarterly,~~] monthly, within ten working
7 days after collection, and shall be placed by the director of
8 finance in special accounts. Out of the revenues generated by
9 county surcharges on state tax paid into each respective state
10 treasury special account, the director of finance shall deduct
11 [~~ten per cent of~~] \$ _____ from the gross proceeds of a
12 respective county's surcharge on state tax to reimburse the
13 [~~State~~] department of taxation for the costs of assessment,
14 collection, and disposition of the county surcharge on state tax
15 [~~to reimburse the State for the costs of assessment, collection,~~
16 ~~and disposition of the county surcharge on state tax incurred by~~
17 ~~the State. Amounts retained shall be general fund realizations~~
18 ~~of the State]."~~

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

20 "(d) After the deduction and withholding of the costs
21 under subsections (a) and (b), the director of finance shall pay



1 the remaining balance on [~~a~~ ~~quarterly~~] a monthly basis to the
2 director of finance of each county that has adopted a county
3 surcharge on state tax under section 46-16.8. The [~~quarterly~~]
4 monthly payments shall be made after the county surcharges on
5 state tax have been paid into the state treasury special
6 accounts or after the disposition of any tax appeal, as the case
7 may be. All county surcharges on state tax collected shall be
8 distributed by the director of finance to the county in which
9 the county surcharge on state tax is generated and shall be a
10 general fund realization of the county, to be used for the
11 purposes specified in section 46-16.8 by each of the counties."

12 SECTION 3. Act 247, Session Laws of Hawaii 2005, as
13 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is
14 amended by amending section 9 to read as follows:

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

17 (1) If none of the counties of the State adopt an
18 ordinance to levy a county surcharge on state tax by
19 December 31, 2005, this Act shall be repealed and
20 section 437D-8.4, Hawaii Revised Statutes, shall be



1 reenacted in the form in which it read on the day
2 prior to the effective date of this Act;

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

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

11 (A) ~~[The ordinance shall be repealed on December 31,~~
12 ~~2022; provided that the]~~ The repeal of the
13 ordinance shall not affect the validity or effect
14 of an ordinance to extend a surcharge on state
15 tax adopted pursuant to Act 134, Session Laws of
16 Hawaii 2015;

17 ~~[(B) This Act shall be repealed on December 31, 2027;]~~
18 and

19 ~~[(C)]~~ (B) Section 437D-8.4, Hawaii Revised Statutes,
20 shall be reenacted in the form in which it read
21 on the date prior to the effective date of this



1 Act; provided that the amendments made to section
2 437D-8.4, Hawaii Revised Statutes, by Act 226,
3 Session Laws of Hawaii 2008, as amended by Act
4 11, Session Laws of Hawaii 2009, and Act 110,
5 Session Laws of Hawaii 2014, shall not be
6 repealed."

7 **PART II**

8 SECTION 4. Chapter 235, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§235- Low-income tax credit. (a) There shall be
12 allowed to each taxpayer subject to the taxes imposed by this
13 chapter, a tax credit to reduce the state income tax liability
14 for low-income taxpayers. After completing the income tax
15 calculations required by this chapter:

16 (1) A taxpayer with a federal adjusted gross income below
17 the federal poverty guidelines and with a state income
18 tax liability shall receive a credit that reduces the
19 taxpayer's state income tax liability by _____ per
20 cent;



1 (2) A taxpayer with a federal adjusted gross income of at
2 least one hundred but not more than one hundred
3 twenty-five per cent of the federal poverty guidelines
4 and with a state income tax liability shall receive a
5 credit that reduces the taxpayer's state income tax
6 liability by per cent; and

7 (3) A taxpayer with a federal adjusted gross income above
8 one hundred twenty-five per cent of the federal
9 poverty guidelines shall be ineligible for the credit.

10 (b) All claims for a tax credit under this section,
11 including amended claims, shall be filed on or before the end of
12 the twelfth month following the close of the taxable year for
13 which the tax credit may be claimed. Failure to comply with the
14 foregoing provision shall constitute a waiver of the right to
15 claim the tax credit.

16 (c) The director of taxation shall prepare any forms that
17 may be necessary to claim a credit under this section. The
18 director may also require the taxpayer to furnish information to
19 ascertain the validity of the claim for the tax credit made
20 under this section and may adopt rules necessary to effectuate
21 the purposes of this section pursuant to chapter 91.



1 (d) For purposes of this section, "federal poverty
2 guidelines" means the guidelines set forth by the United States
3 Department of Health and Human Services each year for Hawaii."

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

6 "**§46-16.8 County surcharge on state tax.** (a) Each county
7 [~~may~~], by July 1, 2018, may establish a surcharge on state tax
8 at the rates enumerated in sections 237-8.6 and 238-2.6. A
9 county [~~electing to~~] shall establish this surcharge [~~shall do~~
10 ~~so~~] by ordinance; provided that [+

11 ~~(1) No~~ no ordinance shall be adopted until the county has
12 conducted a public hearing on the proposed ordinance [+

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

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

19 Notice of the public hearing required under [~~paragraph (1)~~] this
20 subsection shall be published in a newspaper of general



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

3 (b) A county [~~electing to exercise the authority granted~~
4 ~~under this subsection~~] shall notify the director of taxation
5 within ten days after the county has adopted a surcharge on
6 state tax ordinance [~~and, beginning no earlier than January 1,~~
7 ~~2007, the~~]. The director of taxation shall levy, assess,
8 collect, and otherwise administer the county surcharge on state
9 tax[-]; provided that for any ordinance that is adopted after
10 July 1, 2017, pursuant to this section, the director of taxation
11 shall not levy, assess, collect, or otherwise administer the
12 county surcharge on state tax earlier than January 1 of the year
13 succeeding the adoption of the authorizing ordinance.

14 [~~(b) Each county that has established a surcharge on state~~
15 ~~tax prior to [July 1, 2015,] under authority of subsection (a)~~
16 ~~may extend the surcharge from January 1, 2023, until December~~
17 ~~31, 2027, at the same rates. A county electing to extend this~~
18 ~~surcharge shall do so by ordinance; provided that:~~

19 ~~(1) No ordinance shall be adopted until the county has~~
20 ~~conducted a public hearing on the proposed ordinance;~~
21 ~~and~~



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

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

9 ~~(c) Each county that has not established a surcharge on~~
10 ~~state tax prior to [July 1, 2015,] may establish the surcharge~~
11 ~~at the rates enumerated in sections 237-8.6 and 238-2.6. A~~
12 ~~county electing to establish this surcharge shall do so by~~
13 ~~ordinance; provided that:~~

14 ~~(1) No ordinance shall be adopted until the county has~~
15 ~~conducted a public hearing on the proposed ordinance;~~

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

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



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 a surcharge on state tax~~
4 ~~ordinance. Beginning on January 1, 2018, the director of~~
5 ~~taxation shall levy, assess, collect, and otherwise administer~~
6 ~~the county surcharge on state tax.~~

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

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

- 17 (1) Capital costs of a locally preferred alternative for a
18 mass transit project; and
19 (2) Expenses in complying with the Americans with
20 Disabilities Act of 1990 with respect to paragraph
21 (1).



1 The county surcharge on state tax shall not be used to build or
2 repair public roads or highways, bicycle paths, or support
3 public transportation systems already in existence prior to July
4 12, 2005.

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

9 (1) Operating or capital costs of public transportation
10 within each county for public transportation systems,
11 including public roadways or highways, public buses,
12 trains, ferries, pedestrian paths or sidewalks, or
13 bicycle paths; and

14 (2) Expenses in complying with the Americans with
15 Disabilities Act of 1990 with respect to paragraph
16 (1).

17 ~~[(g)]~~ (e) As used in this section, "capital costs" means
18 nonrecurring costs required to construct a transit facility or
19 system, including debt service, costs of land acquisition and
20 development, acquiring of rights-of-way, planning, design, and
21 construction, and including equipping and furnishing the



1 facility or system. For a county with a population greater than
2 five hundred thousand, capital costs also include non-recurring
3 personal services and other overhead costs that are not intended
4 to continue after completion of construction of the minimum
5 operable segment of the locally preferred alternative for a mass
6 transit project."

7 SECTION 6. Section 237-8.6, Hawaii Revised Statutes, is
8 amended by amending subsections (a), (b), and (c) to read as
9 follows:

10 "(a) The county surcharge on state tax, upon the adoption
11 of county ordinances and in accordance with the requirements of
12 section 46-16.8, shall be levied, assessed, and collected as
13 provided in this section on all gross proceeds and gross income
14 taxable under this chapter. [~~No county shall set the~~ The
15 county surcharge on state tax shall be set at a rate [~~greater~~
16 ~~than~~] equal to one-half per cent of all gross proceeds and gross
17 income taxable under this chapter. All provisions of this
18 chapter shall apply to the county surcharge on state tax. With
19 respect to the surcharge, the director of taxation shall have
20 all the rights and powers provided under this chapter. In
21 addition, the director of taxation shall have the exclusive



1 rights and power to determine the county or counties in which a
2 person is engaged in business and, in the case of a person
3 engaged in business in more than one county, the director shall
4 determine, through apportionment or other means, that portion of
5 the surcharge on state tax attributable to business conducted in
6 each county.

7 (b) Each county surcharge on state tax that ~~[may be]~~ is
8 adopted ~~[or extended]~~ pursuant to section 46-16.8 shall be
9 levied beginning in the taxable year after the adoption of the
10 relevant county ordinance ~~[, provided that no surcharge on state~~
11 ~~tax may be levied:~~

12 ~~(1) Prior to:~~

13 ~~(A) January 1, 2007, if the county surcharge on state~~
14 ~~tax was established by an ordinance adopted prior~~
15 ~~to December 31, 2005; or~~

16 ~~(B) January 1, 2018, if the county surcharge on state~~
17 ~~tax was established by the adoption of an~~
18 ~~ordinance after June 30, 2015, but prior to July~~
19 ~~1, 2016; and~~

20 ~~(2) After December 31, 2027].~~



1 (c) The county surcharge on state tax, [~~if adopted,~~] upon
2 adoption, shall be imposed on the gross proceeds or gross income
3 of all written contracts that require the passing on of the
4 taxes imposed under this chapter; provided that if the gross
5 proceeds or gross income are received as payments beginning in
6 the taxable year in which the taxes become effective, on
7 contracts entered into before June 30 of the year prior to the
8 taxable year in which the taxes become effective, and the
9 written contracts do not provide for the passing on of increased
10 rates of taxes, the county surcharge on state tax shall not be
11 imposed on the gross proceeds or gross income covered under the
12 written contracts. The county surcharge on state tax shall be
13 imposed on the gross proceeds or gross income from all contracts
14 entered into on or after June 30 of the year prior to the
15 taxable year in which the taxes become effective, regardless of
16 whether the contract allows for the passing on of any tax or any
17 tax increases."

18 SECTION 7. 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 a county ordinance 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 the value of property and services
3 taxable under this chapter. [~~No county shall set the~~] The
4 county surcharge on state tax shall be set at a rate [~~greater~~
5 ~~than~~] equal to one-half per cent of the value of property
6 taxable under this chapter. All provisions of this chapter
7 shall apply to the county surcharge on state tax. With respect
8 to the surcharge, the director shall have all the rights and
9 powers provided under this chapter. In addition, the director
10 of taxation shall have the exclusive rights and power to
11 determine the county or counties in which a person imports or
12 purchases tangible personal property and, in the case of a
13 person importing or purchasing tangible property in more than
14 one county, the director shall determine, through apportionment
15 or other means, that portion of the surcharge on state tax
16 attributable to the importation or purchase in each county.

17 (b) Each county surcharge on state tax that [~~may be~~] is
18 adopted [~~or extended~~] shall be levied beginning in the taxable
19 year after the adoption of the relevant county ordinance [~~+~~
20 ~~provided that no surcharge on state tax may be levied.~~

21 (1) ~~Prior to:~~



1 ~~(A) January 1, 2007, if the county surcharge on state~~
2 ~~tax was established by an ordinance adopted prior~~
3 ~~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 8. Section 248-2.6, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "~~[§]248-2.6[§]~~ **County surcharge on state tax; disposition**
12 **of proceeds.** (a) ~~[If adopted by county ordinance, all]~~ All
13 county surcharges on state tax collected by the director of
14 taxation shall be paid into the state treasury ~~[quarterly,]~~
15 monthly, within ten working days after collection, and shall be
16 placed by the director of finance in special accounts. Out of
17 the revenues generated by county surcharges on state tax paid
18 into each respective state treasury special account, the
19 director of finance shall deduct ~~[ten]~~ _____ per cent of the
20 gross proceeds of a respective county's surcharge on state tax
21 ~~[to reimburse the State for the costs of assessment, collection,~~



1 ~~and disposition of the county surcharge on state tax incurred by~~
2 ~~the State. Amounts retained shall be general fund realizations~~
3 ~~of the State.] for deposit into the state highway fund created~~
4 ~~by section 248-8.~~

5 (b) The amounts deducted [~~for costs of assessment,~~
6 ~~collection, and disposition of county surcharges on state tax]~~
7 pursuant to subsection (a) shall be withheld from payment to the
8 counties by the State out of the county surcharges on state tax
9 collected for the current calendar year.

10 [~~(c) For the purpose of this section, the costs of~~
11 ~~assessment, collection, and disposition of the county surcharges~~
12 ~~on state tax shall include any and all costs, direct or~~
13 ~~indirect, that are deemed necessary and proper to effectively~~
14 ~~administer this section and sections 237-8.6 and 238-2.6.~~

15 ~~(d)]~~ (c) After the deduction and withholding of the
16 [~~costs]~~ amounts under subsections (a) and (b), the director of
17 finance shall pay the remaining balance on [~~(a) quarterly]~~ a
18 monthly basis to the director of finance of each county that has
19 adopted a county surcharge on state tax under section 46-16.8.
20 The [~~quarterly]~~ monthly payments shall be made after the county
21 surcharges on state tax have been paid into the state treasury



1 special accounts or after the disposition of any tax appeal, as
2 the case may be.

3 ~~[All]~~ Prior to July 1, 2018, all county surcharges on state
4 tax revenues collected shall be distributed by the director of
5 finance to the county in which the county surcharge on state tax
6 is generated and shall be a general fund realization of the
7 county, to be used for the purposes specified in section 46-16.8
8 by each of the counties. Beginning July 1, 2018, after the
9 deduction of gross proceeds authorized pursuant to subsection
10 (a), all remaining county surcharge on state tax revenues
11 collected shall be distributed by the director of finance and
12 allocated as follows:

13 (1) The county of Kauai shall receive _____ per cent;

14 (2) The county of Hawaii shall receive _____ per cent;

15 (3) The city and county of Honolulu shall receive _____
16 per cent; and

17 (4) The county of Maui shall receive _____ per cent;

18 provided that if the county surcharge on state tax has not been
19 adopted by all counties, all remaining surcharge on state tax
20 revenues due to the counties shall be allocated among those
21 counties that have adopted the county surcharge on state tax



1 according to the percentages established in paragraphs (1) to
2 (4). These distributions shall be general fund realizations of
3 the counties, to be used for the purposes specified in section
4 46-16.8 by each of the counties."

5 SECTION 9. Act 247, Session Laws of Hawaii 2005, as
6 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is
7 amended by amending section 9 to read as follows:

8 "SECTION 9. This Act shall take effect upon its approval[+
9 ~~provided that:~~

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

16 ~~(2) If any county does not adopt an ordinance to levy a~~
17 ~~county surcharge on state tax by December 31, 2005, it~~
18 ~~shall be prohibited from adopting such an ordinance~~
19 ~~pursuant to this Act, unless otherwise authorized by~~
20 ~~the legislature through a separate legislative act;~~
21 ~~and~~



- 1 ~~(3) If an ordinance to levy a county surcharge on state~~
- 2 ~~tax is adopted by December 31, 2005:~~
- 3 ~~(A) The ordinance shall be repealed on December 31,~~
- 4 ~~2022, provided that the repeal of the ordinance~~
- 5 ~~shall not affect the validity or effect of an~~
- 6 ~~ordinance to extend a surcharge on state tax~~
- 7 ~~adopted pursuant to Act 240, Session Laws of~~
- 8 ~~Hawaii 2015;~~
- 9 ~~(B) This Act shall be repealed on December 31, 2027;~~
- 10 ~~and~~
- 11 ~~(C) Section 437D-8.4, Hawaii Revised Statutes, shall~~
- 12 ~~be reenacted in the form in which it read on the~~
- 13 ~~day prior to the effective date of this Act;~~
- 14 ~~provided that the amendments made to section~~
- 15 ~~437D-8.4, Hawaii Revised Statutes, by Act 226,~~
- 16 ~~Session Laws of Hawaii 2008, as amended by Act~~
- 17 ~~11, Session Laws of Hawaii 2009, and Act 110,~~
- 18 ~~Session Laws of Hawaii 2014, shall not be~~
- 19 ~~repealed]."~~

PART III



1 SECTION 10. Section 46-16.8, Hawaii Revised Statutes, is
2 amended by amending subsections (b) and (c) 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 January 1, 2023, until
6 December 31, [~~2027,~~] 2032, at the same rates. A county electing
7 to extend this surcharge shall do so by ordinance; provided
8 that [~~+~~

9 ~~(1)~~ ~~No~~] 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
18 director of taxation shall levy, assess, collect, and otherwise
19 administer the extended surcharge on state tax.

20 (c) Each county that has not established a surcharge on
21 state tax prior to [~~+~~]July 1, [~~2015,~~] 2017, may establish the



1 surcharge at the rates enumerated in sections 237-8.6 and
2 238-2.6. A county electing to establish this surcharge shall do
3 so by ordinance; provided that:

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

6 ~~[(2) The ordinance shall be adopted prior to July 1, 2016,~~
7 ~~but no earlier than July 1, 2015,]~~ and

8 ~~[(3)]~~ (2) No county surcharge on state tax that may be
9 authorized under this subsection shall be levied prior
10 to January 1, 2018, or after December 31, ~~[2027.]~~
11 2032.

12 A county electing to exercise the authority granted under
13 this subsection shall notify the director of taxation within ten
14 days after the county has adopted a surcharge on state tax
15 ordinance. Beginning on January 1, 2018, the director of
16 taxation shall levy, assess, collect, and otherwise administer
17 the county surcharge on state tax."

18 SECTION 11. Section 248-2.6, Hawaii Revised Statutes, is
19 amended by amending subsection (a) to read as follows:

20 "(a) If adopted by county ordinance, all county surcharges
21 on state tax collected by the director of taxation shall be paid



1 into the state treasury quarterly, within ten working days after
 2 collection, and shall be placed by the director of finance in
 3 special accounts. Out of the revenues generated by county
 4 surcharges on state tax paid into each respective state treasury
 5 special account, the director of finance shall deduct ten per
 6 cent of the gross proceeds of a respective county's surcharge on
 7 state tax [~~to reimburse the State for the costs of assessment,~~
 8 ~~collection, and disposition of the county surcharge on state tax~~
 9 ~~incurred by the State. Amounts]; provided that _____ per cent
 10 of the amounts retained shall be [general fund realizations of
 11 the State.] used by the department of transportation for transit
 12 oriented development and infrastructure improvement purposes."~~

13 SECTION 12. Act 247, Session Laws of Hawaii 2005, as
 14 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is
 15 amended by amending section 9 to read as follows:

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

- 18 (1) If none of the counties of the State adopt an
- 19 ordinance to levy a county surcharge on state tax by
- 20 December 31, 2005, this Act shall be repealed and
- 21 section 437D-8.4, Hawaii Revised Statutes, shall be



1 reenacted in the form in which it read on the day
2 prior to the effective date of this Act;

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

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

11 (A) The ordinance shall be repealed on December 31,
12 [~~2022~~] 2032; provided that the repeal of the
13 ordinance shall not affect the validity or effect
14 of an ordinance to extend a surcharge on state
15 tax adopted pursuant to Act 134, Session Laws of
16 Hawaii 2015;

17 (B) This Act shall be repealed on December 31,
18 [~~2027~~] 2032; and

19 (C) Section 437D-8.4, Hawaii Revised Statutes, shall
20 be reenacted in the form in which it read on the
21 date prior to the effective date of this Act;



1 provided that the amendments made to section
2 437D-8.4, Hawaii Revised Statutes, by Act 226,
3 Session Laws of Hawaii 2008, as amended by Act
4 11, Session Laws of Hawaii 2009, and Act 110,
5 Session Laws of Hawaii 2014, shall not be
6 repealed."

7 SECTION 13. No later than December 31, 2027, the following
8 parcels shall be transferred from the Hawaii community
9 development authority to the city and county of Honolulu:

- 10 (1) A portion of South and Pohukaina streets, improvement
11 district 1, parcel 5, identified as a 6,806 square
12 foot parcel, TMK No. 2-1-29:06, with an appraised
13 value of \$100;
- 14 (2) A portion of South street, improvement district 1,
15 parcel 1, identified as a 1,595 square foot parcel,
16 TMK No. 2-1-29:07, with an appraised value of \$100;
- 17 (3) Portions of South and Halekauwila streets, improvement
18 district 1, parcels 7, 8, 9, and 10, identified as a
19 640 square foot parcel, TMK No. 2-1-30:46, with an
20 appraised value of \$100;



- 1 (4) A portion of Pohukaina street, improvement district 1,
2 parcel 11, improvement district 2 parcels 1, 2, and 3,
3 identified as a 4,380 square foot parcel, TMK No. 2-1-
4 30:47, with an appraised value of \$100;
- 5 (5) A portion of South street, improvement district 1,
6 parcels 12, and 13, identified as a 758 square foot
7 parcel, TMK No. 2-1-30:48, with an appraised value of
8 \$100;
- 9 (6) Portions of South and Pohukaina streets, improvement
10 district 1, parcel 6, identified as a 4,586 square
11 foot parcel, TMK No. 2-1-30:49, with an appraised
12 value of \$100;
- 13 (7) A portion of Halekauwila street, improvement district
14 1, parcel 14, identified as a 23 square foot parcel,
15 TMK No. 2-1-31:37, with an appraised value of \$100;
- 16 (8) A portion of South street, improvement district 1,
17 parcels 18, 19, 20 and 21, identified as a 5,095
18 square foot parcel, TMK No. 2-1-31:38, with an
19 appraised value of \$100;
- 20 (9) Portions of Queen and South streets, improvement
21 district 1, parcels 15, 16, 17, 26, 27, 29, and 30,



- 1 identified as a 9,761 square foot parcel, TMK No. 2-1-
2 32:25, with an appraised value of \$100;
- 3 (10) A portion of South street, improvement district 1,
4 parcel 28, identified as a 1,450 square foot parcel,
5 TMK No. 2-1-47:09, with an appraised value of \$100;
- 6 (11) Portions of Cooke and Kawaiahao streets, improvement
7 district 1, parcels 31, 32, 33, 34, 35, 37, 38, 39,
8 40, and improvement district 3, parcels 10 and 11,
9 identified as a 27,598 square foot parcel, TMK No.
10 2-1-48:20, with an appraised value of \$3,000;
- 11 (12) A portion of South street, improvement district 1,
12 parcels 22, 23, 24 and 25, identified as a 5,049
13 square foot parcel, TMK No. 2-1-48:21, with an
14 appraised value of \$100;
- 15 (13) The corner of Cooke and Kawaiahao streets, improvement
16 district 3, parcel 13, identified as an 86 square foot
17 parcel, TMK No. 2-1-49:51, with an appraised value of
18 \$100;
- 19 (14) A portion of Queen street, improvement district 3,
20 parcel 16, identified as a 286 square foot parcel, TMK
21 No. 2-1-49:81, with an appraised value of \$100;



- 1 (15) The corner of Cooke street and Kapiolani boulevard,
2 improvement district 3, parcel 12, identified as a 155
3 square foot parcel, TMK No. 2-1-49:83, with an
4 appraised value of \$100;
- 5 (16) The corner of Cooke and Ilaniwai streets improvement
6 district 3, parcel 19, identified as an 86 square foot
7 parcel, TMK No. 2-1-50:66, with an appraised value of
8 \$100;
- 9 (17) A portion of Halekauwila street, improvement district
10 3, parcels 22A, 22D, 23A, 23B, 24A, 24B, 25A,
11 identified as an 18,614 square foot parcel, TMK No.
12 2-1-50: a portion of 67, with an appraised value of
13 \$3,600;
- 14 (18) A portion of Cooke street, improvement district 3,
15 parcels 21A and 21B, identified as a 235 square foot
16 parcel, TMK No. 2-1-50:69, with an appraised value of
17 \$100;
- 18 (19) The corner of Cooke and Queen streets, improvement
19 district 3, parcel 18, identified as an 86 square foot
20 parcel, TMK No. 2-1-50: a portion of Cooke and Queen
21 streets, with an appraised value of \$100;



- 1 (20) A portion of Cooke and Pohukaina streets, improvement
2 district 2, parcel 7, and improvement district 3,
3 parcels 1A, 1B, 1C, 2, and 3, identified as an 11,646
4 square foot parcel, TMK No. 2-1-51: a portion of 03,
5 with an appraised value of \$1,300;
- 6 (21) A portion of Cooke street, improvement district 3,
7 parcel 8, identified as a 750 square foot parcel, TMK
8 No. 2-1-51: a portion of 14, with an appraised value
9 of \$100;
- 10 (22) Portions of Halekauwila and Cooke streets, improvement
11 district 3, parcel 4A, identified as a 7,207 square
12 foot parcel, TMK No. 2-1-51: a portion of 19, with an
13 appraised value of \$200;
- 14 (23) A portion of Coral street, improvement district 1,
15 parcel 36, identified as an 82 square foot parcel, TMK
16 No. 2-1-51:34, with an appraised value of \$100;
- 17 (24) A portion of Cooke street, improvement district 3,
18 parcel 9, identified as an 836 square foot parcel, TMK
19 No. 2-1-51:36, with an appraised value of \$100;



- 1 (25) A portion of Cooke street, improvement district 3,
2 parcel 7, identified as a 1,628 square foot parcel,
3 TMK No. 2-1-51:37, with an appraised value of 100;
- 4 (26) A portion of Pohukaina street, improvement district 2,
5 parcel 4, identified as a 7,000 square foot parcel,
6 TMK No. 2-1-51:40, with an appraised value of \$100;
- 7 (27) A portion of Pohukaina street, improvement district 2,
8 parcel 6, identified as a 160 square foot parcel, TMK
9 No. 2-1-51: portion of Lana lane, with an appraised
10 value of \$100;
- 11 (28) Portions of Halekauwila street and Lana lane,
12 improvement district 3, parcels 5A, identified as a
13 400 square foot parcel, TMK No. 2-1-51: portion of
14 Lana lane and Halekauwila street, with an appraised
15 value of \$100;
- 16 (29) A portion of Halekauwila street, identified as a
17 37,261 square foot parcel, TMK No. 2-1-52: a portion
18 of 22, with an appraised value of \$4,300;
- 19 (30) A portion of Cooke street, improvement district 2,
20 parcel 8, and improvement district 3, parcels 26A, 26B



- 1 and 27, identified as a 1,520 square foot parcel, TMK
2 No. 2-1-52:55, with an appraised value of \$100;
- 3 (31) A portion of Cooke street, improvement district 2,
4 parcel 16, identified as a 4,892 square foot parcel,
5 TMK No. 2-1-53:31, with an appraised value of \$100;
- 6 (32) A portion of South and Auahi streets, improvement
7 district 1, parcels 3, identified as an 86 square foot
8 parcel, TMK No. 2-1-54:34, with an appraised value of
9 \$100;
- 10 (33) A portion of South and Pohukaina streets, improvement
11 district 1, parcel 4, identified as an 86 square foot
12 parcel, TMK No. 2-1-54:35, with an appraised value of
13 \$100;
- 14 (34) A portion of Cooke street, improvement district 2,
15 parcel 14, identified as a 707 square foot parcel, TMK
16 No. 2-1-54:36, with an appraised value of \$100;
- 17 (35) A portion of South and Auahi streets, improvement
18 district 1, parcel 2, identified as an 86 square foot
19 parcel, TMK No. 2-1-55:39, with an appraised value of
20 \$100;



- 1 (36) A portion of Cooke street, improvement district 2,
2 parcels 9, 10, 11, 12, and 13, identified as a 512
3 square foot parcel, TMK No. 2-1-55:40, with an
4 appraised value of \$100;
- 5 (37) A portion of Cooke street, improvement district 2,
6 parcel 15, identified as a 3,189 square foot parcel,
7 TMK No. 2-1-56:12, with an appraised value of \$100;
- 8 (38) A portion of Ahui street, improvement district 12,
9 parcel 10, identified as an 18,818 square foot parcel,
10 TMK No. 2-1-58: portion of Ahui street, with an
11 appraised value of \$2,600;
- 12 (39) Portions of Ohe, Olomehani, and Ahui streets,
13 improvement district 12, parcel 11, identified as a
14 3.248 acre parcel, TMK No. 2-1-60: portions of 4, 6,
15 and Ahui street, with an appraised value of \$6,400;
- 16 (40) A portion of Kamakee street, improvement district 4,
17 parcel 1, 2, 3, 4, 8, 9, 10, 11, 17, 18, 21, 22, 23,
18 lot 239-B, identified as an 11,649 square foot parcel,
19 TMK No. 2-3-03:103, with an appraised value of \$100;
- 20 (41) A portion of Queen street at Kamakee street,
21 identified as an approximately 26,826 square foot



- 1 parcel, TMK No. 2-3-03:87, with an appraised value of
2 \$800;
- 3 (42) A portion of Kamakee and Queen streets, improvement
4 district 4, parcels 5 and 6, and improvement district
5 10, lots 454 and 456, LCA 670, map 46, identified as a
6 3,431 square foot parcel, TMK No. 2-3-04: a portion of
7 29, with an appraised value of \$100;
- 8 (43) A portion of Kamakee street, improvement district 4,
9 parcels 19, 20, 24, and 25, identified as an 8,075
10 square foot parcel, TMK No. 2-3-04:74, with an
11 appraised value of \$100;
- 12 (44) A portion of Waimanu street, improvement district 10,
13 lot 30A, LCA 948, map 8, improvement district 10, lot
14 31B, LCA 948, map 9, improvement district 10, lot 1B,
15 LCC 53, map 22, identified as a 20,686 square foot
16 parcel, TMK No. 2-3-04: portion of 80, with an
17 appraised value of \$100;
- 18 (45) A portion of Queen street, improvement district 10,
19 lot 4, LCC 188, map 3, identified as a 44,385 square
20 foot parcel, TMK Nos. 2-3-04: portion of 80 and 2-3-
21 06: portion of 14, with an appraised value of \$900;



- 1 (46) A portion of Kamakee street, improvement district 4,
2 parcel 13, identified as a 910 square foot parcel, TMK
3 No. 2-3-04: portion of Kamakee street, with an
4 appraised value of \$100;
- 5 (47) A portion of Kamakee street, improvement district 4,
6 parcel 14, identified as an 892 square foot parcel,
7 TMK No. 2-3-04: portion of Kamakee street, with an
8 appraised value of \$100;
- 9 (48) A portion of Kamakee street, improvement district 4,
10 parcels 15, and 16, identified as a 1,784 square foot
11 parcel, TMK No. 2-3-04: portion of Kamakee street,
12 with an appraised value of \$100;
- 13 (49) A portion of Kawaihaho street, improvement district 4,
14 parcel 7, identified as a 710 square foot parcel, TMK
15 No. 2-3-04: portion of Kawaihaho street, with an
16 appraised value of \$100;
- 17 (50) A portion of Waimanu street, identified as a 9,507
18 square foot parcel, TMK No. 2-3-06:16, with an
19 appraised value of \$100;
- 20 (51) A portion of Waimanu street, improvement district 10
21 lot 915-B-2, LCA 880, map 132, and improvement



1 district 10 lot 30-B-2, LCA 948, map 10, identified as
2 a 3,160 square foot parcel, TMK No. 2-3-06: portion of
3 14, with an appraised value of \$100;

4 (52) A portion of Waimanu street, improvement district 10
5 lot 915-C, LCA 880, map 131, and improvement district
6 10 lot 1-B, LCC 194, map 2, identified as a 9,194
7 square foot parcel, TMK No. 2-3-06: portion of 15,
8 with an appraised value of \$100; and

9 (53) The corner of Waimanu and Pensacola streets,
10 improvement district 10 lot 885-a, LCA 880, map 136,
11 identified as an 86 square foot parcel, TMK No. 2-3-
12 07: portion of Waimanu and Pensacola streets, with an
13 appraised value of \$100.

14 SECTION 14. No later than December 31, 2027, the city and
15 county of Honolulu shall:

- 16 (1) Create a bus rapid transit lane connecting central
17 Oahu to the Pearl highlands station;
- 18 (2) Create a secondary access road into leeward community
19 college;
- 20 (3) Expedite permitting for infrastructure improvements
21 related to rapid transportation projects; and



1 (4) Upzone all state-owned lands along the rail corridor.

2 SECTION 15. No later than December 31, 2027, the city and
3 county of Honolulu shall:

4 (1) Notwithstanding chapter 343, Hawaii Revised Statutes,
5 expedite any environmental impact statement and
6 environmental assessment, as appropriate, for widening
7 of Farrington highway from Kapolei golf course to Fort
8 Weaver road;

9 (2) Transfer to the State all land owned by the city and
10 county of Honolulu upon which the department of
11 education has a department school or facility;

12 (3) Expedite planning and design for increased
13 infrastructure, including water, sewer, drain, and
14 roadways, in Iwilei-Kapalama, Halawa/Aloha Stadium,
15 and West Oahu;

16 (4) Accept the dedication of roads, sidewalk trees,
17 drainage catch basins, and other improvements within
18 the road lots within or adjacent to the Village of
19 Kapolei from the Hawaii housing finance and
20 development corporation upon payment of \$15,000,000 by
21 the corporation;



- 1 (5) Accept all roads and streets in which there is an
- 2 ownership dispute between the city and county of
- 3 Honolulu, the State, and/or private landowners;
- 4 (6) Expedite the identification of alternatives to
- 5 relocate electrical lines along Dillingham boulevard
- 6 with the least impact to state lands;
- 7 (7) Add capacity to the sewer in Kapalama canal to allow
- 8 the Hawaii community college science building to hook
- 9 up to the city and county sewer line;
- 10 (8) Notwithstanding any law to the contrary, allow the
- 11 State to design projects on state-owned land within a
- 12 one-half mile radius of any rail station; and
- 13 (9) Complete the lifting of city and county of Honolulu
- 14 covenants relating to Aloha Stadium by September 30,
- 15 2017.

PART IV

17 SECTION 16. The legislature finds that one county has

18 adopted a surcharge on state tax to help pay for capital costs

19 of a locally-preferred alternative to mass transit project.

20 However, the project is facing a budgetary shortfall and

21 continues to be plagued with rising costs.



1 The legislature further finds that the State is facing an
2 increase in its educational, transportation, affordable housing,
3 and elderly care needs. Additional revenues are needed to
4 support these critical areas.

5 The purpose of this part is to increase the general excise
6 tax and use tax by one-half per cent, with an unspecified
7 portion of the additional revenues generated by the increase to
8 be transferred to a county that has adopted a surcharge on state
9 tax on a temporary basis and to be partially matched by the
10 applicable county, with the remainder of the additional revenues
11 being used to support the State's education, transportation,
12 affordable housing, and elderly care needs. This part also
13 repeals the counties' authority to levy a surcharge on state tax
14 on January 1, 2019. It is the legislature's intent that the
15 repeal of the county surcharge, coupled with the increase in the
16 general excise tax and use tax will even the disparity in
17 generating tax revenues for the State across all counties.

18 SECTION 17. Section 237-13, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§237-13 Imposition of tax.** There is hereby levied and
21 shall be assessed and collected annually privilege taxes against



1 persons on account of their business and other activities in the
2 State measured by the application of rates against values of
3 products, gross proceeds of sales, or gross income, whichever is
4 specified, as follows:

5 (1) Tax on manufacturers.

6 (A) Upon every person engaging or continuing within
7 the State in the business of manufacturing,
8 including compounding, canning, preserving,
9 packing, printing, publishing, milling,
10 processing, refining, or preparing for sale,
11 profit, or commercial use, either directly or
12 through the activity of others, in whole or in
13 part, any article or articles, substance or
14 substances, commodity or commodities, the amount
15 of the tax to be equal to the value of the
16 articles, substances, or commodities,
17 manufactured, compounded, canned, preserved,
18 packed, printed, milled, processed, refined, or
19 prepared for sale, as shown by the gross proceeds
20 derived from the sale thereof by the manufacturer



1 or person compounding, preparing, or printing
2 them, multiplied by one-half of one per cent.

3 (B) The measure of the tax on manufacturers is the
4 value of the entire product for sale, regardless
5 of the place of sale or the fact that deliveries
6 may be made to points outside the State.

7 (C) If any person liable for the tax on manufacturers
8 ships or transports the person's product, or any
9 part thereof, out of the State, whether in a
10 finished or unfinished condition, or sells the
11 same for delivery to points outside the State
12 (for example, consigned to a mainland purchaser
13 via common carrier f.o.b. Honolulu), the value of
14 the products in the condition or form in which
15 they exist immediately before entering interstate
16 or foreign commerce, determined as hereinafter
17 provided, shall be the basis for the assessment
18 of the tax imposed by this paragraph. This tax
19 shall be due and payable as of the date of entry
20 of the products into interstate or foreign
21 commerce, whether the products are then sold or



1 not. The department shall determine the basis
2 for assessment, as provided by this paragraph, as
3 follows:
4 (i) If the products at the time of their entry
5 into interstate or foreign commerce already
6 have been sold, the gross proceeds of sale,
7 less the transportation expenses, if any,
8 incurred in realizing the gross proceeds for
9 transportation from the time of entry of the
10 products into interstate or foreign
11 commerce, including insurance and storage in
12 transit, shall be the measure of the value
13 of the products;
14 (ii) If the products have not been sold at the
15 time of their entry into interstate or
16 foreign commerce, and in cases governed by
17 clause (i) in which the products are sold
18 under circumstances such that the gross
19 proceeds of sale are not indicative of the
20 true value of the products, the value of the
21 products constituting the basis for



1 assessment shall correspond as nearly as
2 possible to the gross proceeds of sales for
3 delivery outside the State, adjusted as
4 provided in clause (i), or if sufficient
5 data are not available, sales in the State,
6 of similar products of like quality and
7 character and in similar quantities, made by
8 the taxpayer (unless not indicative of the
9 true value) or by others. Sales outside the
10 State, adjusted as provided in clause (i),
11 may be considered when they constitute the
12 best available data. The department shall
13 prescribe uniform and equitable rules for
14 ascertaining the values;

15 (iii) At the election of the taxpayer and with the
16 approval of the department, the taxpayer may
17 make the taxpayer's returns under clause (i)
18 even though the products have not been sold
19 at the time of their entry into interstate
20 or foreign commerce; and



1 (iv) In all cases in which products leave the
2 State in an unfinished condition, the basis
3 for assessment shall be adjusted so as to
4 deduct the portion of the value as is
5 attributable to the finishing of the goods
6 outside the State.

7 (2) Tax on business of selling tangible personal property;
8 producing.

9 (A) Upon every person engaging or continuing in the
10 business of selling any tangible personal
11 property whatsoever (not including, however,
12 bonds or other evidence of indebtedness, or
13 stocks), there is likewise hereby levied, and
14 shall be assessed and collected, a tax equivalent
15 to four and one-half per cent of the gross
16 proceeds of sales of the business; provided that,
17 in the case of a wholesaler, the tax shall be
18 equal to one-half of one per cent of the gross
19 proceeds of sales of the business; and provided
20 further that insofar as the sale of tangible
21 personal property is a wholesale sale under



1 section 237-4(a)(8), the tax shall be one-half of
2 one per cent of the gross proceeds. Upon every
3 person engaging or continuing within this State
4 in the business of a producer, the tax shall be
5 equal to one-half of one per cent of the gross
6 proceeds of sales of the business, or the value
7 of the products, for sale, if sold for delivery
8 outside the State or shipped or transported out
9 of the State, and the value of the products shall
10 be determined in the same manner as the value of
11 manufactured products covered in the cases under
12 paragraph (1)(C).

13 (B) Gross proceeds of sales of tangible property in
14 interstate and foreign commerce shall constitute
15 a part of the measure of the tax imposed on
16 persons in the business of selling tangible
17 personal property, to the extent, under the
18 conditions, and in accordance with the provisions
19 of the Constitution of the United States and the
20 Acts of the Congress of the United States which
21 may be now in force or may be hereafter adopted,



1 and whenever there occurs in the State an
2 activity to which, under the Constitution and
3 Acts of Congress, there may be attributed gross
4 proceeds of sales, the gross proceeds shall be so
5 attributed.

6 (C) No manufacturer or producer, engaged in such
7 business in the State and selling the
8 manufacturer's or producer's products for
9 delivery outside of the State (for example,
10 consigned to a mainland purchaser via common
11 carrier f.o.b. Honolulu), shall be required to
12 pay the tax imposed in this chapter for the
13 privilege of so selling the products, and the
14 value or gross proceeds of sales of the products
15 shall be included only in determining the measure
16 of the tax imposed upon the manufacturer or
17 producer.

18 (D) When a manufacturer or producer, engaged in such
19 business in the State, also is engaged in selling
20 the manufacturer's or producer's products in the
21 State at wholesale, retail, or in any other



1 manner, the tax for the privilege of engaging in
2 the business of selling the products in the State
3 shall apply to the manufacturer or producer as
4 well as the tax for the privilege of
5 manufacturing or producing in the State, and the
6 manufacturer or producer shall make the returns
7 of the gross proceeds of the wholesale, retail,
8 or other sales required for the privilege of
9 selling in the State, as well as making the
10 returns of the value or gross proceeds of sales
11 of the products required for the privilege of
12 manufacturing or producing in the State. The
13 manufacturer or producer shall pay the tax
14 imposed in this chapter for the privilege of
15 selling its products in the State, and the value
16 or gross proceeds of sales of the products, thus
17 subjected to tax, may be deducted insofar as
18 duplicated as to the same products by the measure
19 of the tax upon the manufacturer or producer for
20 the privilege of manufacturing or producing in
21 the State; provided that no producer of



1 agricultural products who sells the products to a
2 purchaser who will process the products outside
3 the State shall be required to pay the tax
4 imposed in this chapter for the privilege of
5 producing or selling those products.

6 (E) A taxpayer selling to a federal cost-plus
7 contractor may make the election provided for by
8 paragraph (3) (C), and in that case the tax shall
9 be computed pursuant to the election,
10 notwithstanding this paragraph or paragraph (1)
11 to the contrary.

12 (F) The department, by rule, may require that a
13 seller take from the purchaser of tangible
14 personal property a certificate, in a form
15 prescribed by the department, certifying that the
16 sale is a sale at wholesale; provided that:

17 (i) Any purchaser who furnishes a certificate
18 shall be obligated to pay to the seller,
19 upon demand, the amount of the additional
20 tax that is imposed upon the seller whenever
21 the sale in fact is not at wholesale; and



- 1 (ii) The absence of a certificate in itself shall
2 give rise to the presumption that the sale
3 is not at wholesale unless the sales of the
4 business are exclusively at wholesale.
- 5 (3) Tax upon contractors.
- 6 (A) Upon every person engaging or continuing within
7 the State in the business of contracting, the tax
8 shall be equal to four and one-half per cent of
9 the gross income of the business.
- 10 (B) In computing the tax levied under this paragraph,
11 there shall be deducted from the gross income of
12 the taxpayer so much thereof as has been included
13 in the measure of the tax levied under
14 subparagraph (A), on:
- 15 (i) Another taxpayer who is a contractor, as
16 defined in section 237-6;
- 17 (ii) A specialty contractor, duly licensed by the
18 department of commerce and consumer affairs
19 pursuant to section 444-9, in respect of the
20 specialty contractor's business; or



1 (iii) A specialty contractor who is not licensed
2 by the department of commerce and consumer
3 affairs pursuant to section 444-9, but who
4 performs contracting activities on federal
5 military installations and nowhere else in
6 this State;
7 provided that any person claiming a deduction
8 under this paragraph shall be required to show in
9 the person's return the name and general excise
10 number of the person paying the tax on the amount
11 deducted by the person.
12 (C) In computing the tax levied under this paragraph
13 against any federal cost-plus contractor, there
14 shall be excluded from the gross income of the
15 contractor so much thereof as fulfills the
16 following requirements:
17 (i) The gross income exempted shall constitute
18 reimbursement of costs incurred for
19 materials, plant, or equipment purchased
20 from a taxpayer licensed under this chapter,
21 not exceeding the gross proceeds of sale of



1 the taxpayer on account of the transaction;
2 and
3 (ii) The taxpayer making the sale shall have
4 certified to the department that the
5 taxpayer is taxable with respect to the
6 gross proceeds of the sale, and that the
7 taxpayer elects to have the tax on gross
8 income computed the same as upon a sale to
9 the state government.

10 (D) A person who, as a business or as a part of a
11 business in which the person is engaged, erects,
12 constructs, or improves any building or
13 structure, of any kind or description, or makes,
14 constructs, or improves any road, street,
15 sidewalk, sewer, or water system, or other
16 improvements on land held by the person (whether
17 held as a leasehold, fee simple, or otherwise),
18 upon the sale or other disposition of the land or
19 improvements, even if the work was not done
20 pursuant to a contract, shall be liable to the
21 same tax as if engaged in the business of



1 contracting, unless the person shows that at the
2 time the person was engaged in making the
3 improvements the person intended, and for the
4 period of at least one year after completion of
5 the building, structure, or other improvements
6 the person continued to intend to hold and not
7 sell or otherwise dispose of the land or
8 improvements. The tax in respect of the
9 improvements shall be measured by the amount of
10 the proceeds of the sale or other disposition
11 that is attributable to the erection,
12 construction, or improvement of such building or
13 structure, or the making, constructing, or
14 improving of the road, street, sidewalk, sewer,
15 or water system, or other improvements. The
16 measure of tax in respect of the improvements
17 shall not exceed the amount which would have been
18 taxable had the work been performed by another,
19 subject as in other cases to the deductions
20 allowed by subparagraph (B). Upon the election
21 of the taxpayer, this paragraph may be applied



1 notwithstanding that the improvements were not
2 made by the taxpayer, or were not made as a
3 business or as a part of a business, or were made
4 with the intention of holding the same. However,
5 this paragraph shall not apply in respect of any
6 proceeds that constitute or are in the nature of
7 rent; all such gross income shall be taxable
8 under paragraph (9); provided that insofar as the
9 business of renting or leasing real property
10 under a lease is taxed under section 237-16.5,
11 the tax shall be levied by section 237-16.5.

12 (4) Tax upon theaters, amusements, radio broadcasting
13 stations, etc.

14 (A) Upon every person engaging or continuing within
15 the State in the business of operating a theater,
16 opera house, moving picture show, vaudeville,
17 amusement park, dance hall, skating rink, radio
18 broadcasting station, or any other place at which
19 amusements are offered to the public, the tax
20 shall be equal to four and one-half per cent of
21 the gross income of the business, and in the case



1 of a sale of an amusement at wholesale under
2 section 237-4(a)(13), the tax shall be one-half
3 of one per cent of the gross income.

4 (B) The department may require that the person
5 rendering an amusement at wholesale take from the
6 licensed seller a certificate, in a form
7 prescribed by the department, certifying that the
8 sale is a sale at wholesale; provided that:

9 (i) Any licensed seller who furnishes a
10 certificate shall be obligated to pay to the
11 person rendering the amusement, upon demand,
12 the amount of additional tax that is imposed
13 upon the seller whenever the sale is not at
14 wholesale; and

15 (ii) The absence of a certificate in itself shall
16 give rise to the presumption that the sale
17 is not at wholesale unless the person
18 rendering the sale is exclusively rendering
19 the amusement at wholesale.

20 (5) Tax upon sales representatives, etc. Upon every
21 person classified as a representative or purchasing



1 agent under section 237-1, engaging or continuing
2 within the State in the business of performing
3 services for another, other than as an employee, there
4 is likewise hereby levied and shall be assessed and
5 collected a tax equal to four and one-half per cent of
6 the commissions and other compensation attributable to
7 the services so rendered by the person.

8 (6) Tax on service business.

9 (A) Upon every person engaging or continuing within
10 the State in any service business or calling
11 including professional services not otherwise
12 specifically taxed under this chapter, there is
13 likewise hereby levied and shall be assessed and
14 collected a tax equal to four and one-half per
15 cent of the gross income of the business, and in
16 the case of a wholesaler under section
17 237-4(a)(10), the tax shall be equal to one-half
18 of one per cent of the gross income of the
19 business.

20 (B) The department may require that the person
21 rendering a service at wholesale take from the



1 licensed seller a certificate, in a form
2 prescribed by the department, certifying that the
3 sale is a sale at wholesale; provided that:

4 (i) Any licensed seller who furnishes a
5 certificate shall be obligated to pay to the
6 person rendering the service, upon demand,
7 the amount of additional tax that is imposed
8 upon the seller whenever the sale is not at
9 wholesale; and

10 (ii) The absence of a certificate in itself shall
11 give rise to the presumption that the sale
12 is not at wholesale unless the person
13 rendering the sale is exclusively rendering
14 services at wholesale.

15 (C) Where any person is engaged in the business of
16 selling interstate or foreign common carrier
17 telecommunication services within and without the
18 State, other than as a home service provider, the
19 tax shall be imposed on that portion of gross
20 income received by a person from service which is
21 originated or terminated in this State and is



1 charged to a telephone number, customer, or
2 account in this State notwithstanding any other
3 state law (except for the exemption under section
4 237-23(a)(1)) to the contrary. If, under the
5 Constitution and laws of the United States, the
6 entire gross income as determined under this
7 paragraph of a business selling interstate or
8 foreign common carrier telecommunication services
9 cannot be included in the measure of the tax, the
10 gross income shall be apportioned as provided in
11 section 237-21; provided that the apportionment
12 factor and formula shall be the same for all
13 persons providing those services in the State.

14 (D) Where any person is engaged in the business of a
15 home service provider, the tax shall be imposed
16 on the gross income received or derived from
17 providing interstate or foreign mobile
18 telecommunications services to a customer with a
19 place of primary use in this State when such
20 services originate in one state and terminate in
21 another state, territory, or foreign country;



1 provided that all charges for mobile
2 telecommunications services which are billed by
3 or for the home service provider are deemed to be
4 provided by the home service provider at the
5 customer's place of primary use, regardless of
6 where the mobile telecommunications originate,
7 terminate, or pass through; provided further that
8 the income from charges specifically derived from
9 interstate or foreign mobile telecommunications
10 services, as determined by books and records that
11 are kept in the regular course of business by the
12 home service provider in accordance with section
13 239-24, shall be apportioned under any
14 apportionment factor or formula adopted under
15 subparagraph (C). Gross income shall not
16 include:

- 17 (i) Gross receipts from mobile
18 telecommunications services provided to a
19 customer with a place of primary use outside
20 this State;



1 (ii) Gross receipts from mobile
2 telecommunications services that are subject
3 to the tax imposed by chapter 239;

4 (iii) Gross receipts from mobile
5 telecommunications services taxed under
6 section 237-13.8; and

7 (iv) Gross receipts of a home service provider
8 acting as a serving carrier providing mobile
9 telecommunications services to another home
10 service provider's customer.

11 For the purposes of this paragraph, "charges for
12 mobile telecommunications services", "customer",
13 "home service provider", "mobile
14 telecommunications services", "place of primary
15 use", and "serving carrier" have the same meaning
16 as in section 239-22.

17 (7) Tax on insurance producers. Upon every person engaged
18 as a licensed producer pursuant to chapter 431, there
19 is hereby levied and shall be assessed and collected a
20 tax equal to 0.15 per cent of the commissions due to
21 that activity.



- 1 (8) Tax on receipts of sugar benefit payments. Upon the
2 amounts received from the United States government by
3 any producer of sugar (or the producer's legal
4 representative or heirs), as defined under and by
5 virtue of the Sugar Act of 1948, as amended, or other
6 Acts of the Congress of the United States relating
7 thereto, there is hereby levied a tax of one-half of
8 one per cent of the gross amount received; provided
9 that the tax levied hereunder on any amount so
10 received and actually disbursed to another by a
11 producer in the form of a benefit payment shall be
12 paid by the person or persons to whom the amount is
13 actually disbursed, and the producer actually making a
14 benefit payment to another shall be entitled to claim
15 on the producer's return a deduction from the gross
16 amount taxable hereunder in the sum of the amount so
17 disbursed. The amounts taxed under this paragraph
18 shall not be taxable under any other paragraph,
19 subsection, or section of this chapter.
- 20 (9) Tax on other business. Upon every person engaging or
21 continuing within the State in any business, trade,



1 activity, occupation, or calling not included in the
2 preceding paragraphs or any other provisions of this
3 chapter, there is likewise hereby levied and shall be
4 assessed and collected, a tax equal to four and one-
5 half per cent of the gross income thereof. In
6 addition, the rate prescribed by this paragraph shall
7 apply to a business taxable under one or more of the
8 preceding paragraphs or other provisions of this
9 chapter, as to any gross income thereof not taxed
10 thereunder as gross income or gross proceeds of sales
11 or by taxing an equivalent value of products, unless
12 specifically exempted."

13 SECTION 18. Section 237-15, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§237-15 Technicians.** When technicians supply dentists or
16 physicians with dentures, orthodontic devices, braces, and
17 similar items which have been prepared by the technician in
18 accordance with specifications furnished by the dentist or
19 physician, and such items are to be used by the dentist or
20 physician in the dentist's or physician's professional practice
21 for a particular patient who is to pay the dentist or physician



1 for the same as a part of the dentist's or physician's
2 professional services, the technician shall be taxed as though
3 the technician were a manufacturer selling a product to a
4 licensed retailer, rather than at the rate of four and one-half
5 per cent which is generally applied to professions and
6 services."

7 SECTION 19. Section 237-16.5, Hawaii Revised Statutes, is
8 amended as follows:

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

10 "(a) This section relates to the leasing of real property
11 by a lessor to a lessee. There is hereby levied, and shall be
12 assessed and collected annually, a privilege tax against persons
13 engaging or continuing within the State in the business of
14 leasing real property to another, equal to four and one-half per
15 cent of the gross proceeds or gross income received or derived
16 from the leasing; provided that where real property is subleased
17 by a lessee to a sublessee, the lessee, as provided in this
18 section, shall be allowed a deduction from the amount of gross
19 proceeds or gross income received from its sublease of the real
20 property. The deduction shall be in the amount allowed under
21 this section.



1 All deductions under this section and the name and general
2 excise tax number of the lessee's lessor shall be reported on
3 the general excise tax return. Any deduction allowed under this
4 section shall only be allowed with respect to leases and
5 subleases in writing and relating to the same real property."

6 2. By amending subsection (f) to read:

7 "(f) This section shall not cause the tax upon a lessor,
8 with respect to any item of the lessor's gross proceeds or gross
9 income, to exceed four and one-half per cent."

10 SECTION 20. Section 237-18, Hawaii Revised Statutes, is
11 amended by amending subsection (f) to read as follows:

12 "(f) Where tourism related services are furnished through
13 arrangements made by a travel agency or tour packager and the
14 gross income is divided between the provider of the services and
15 the travel agency or tour packager, the tax imposed by this
16 chapter shall apply to each such person with respect to such
17 person's respective portion of the proceeds, and no more.

18 As used in this subsection "tourism related services" means
19 catamaran cruises, canoe rides, dinner cruises, lei greetings,
20 transportation included in a tour package, sightseeing tours not
21 subject to chapter 239, admissions to luaus, dinner shows,



1 extravaganzas, cultural and educational facilities, and other
2 services rendered directly to the customer or tourist, but only
3 if the providers of the services other than air transportation
4 are subject to a four and one-half per cent tax under this
5 chapter or chapter 239."

6 SECTION 21. Section 237-31, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§237-31 Remittances.** (a) All remittances of taxes
9 imposed by this chapter shall be made by money, bank draft,
10 check, cashier's check, money order, or certificate of deposit
11 to the office of the department of taxation to which the return
12 was transmitted.

13 (b) The department shall issue its receipts therefor to
14 the taxpayer and shall pay the moneys into the state treasury as
15 a state realization, to be kept and accounted for as provided by
16 law; provided that:

17 (1) A sum, not to exceed \$5,000,000, from all general
18 excise tax revenues realized by the State shall be
19 deposited in the state treasury in each fiscal year to
20 the credit of the compound interest bond reserve fund;



1 (2) A sum from all general excise tax revenues realized by
2 the State that is equal to one-half of the total
3 amount of funds appropriated or transferred out of the
4 hurricane reserve trust fund under sections 4 and 5 of
5 Act 62, Session Laws of Hawaii 2011, shall be
6 deposited into the hurricane reserve trust fund in
7 fiscal year 2013-2014 and in fiscal year 2014-2015;
8 provided that the deposit required in each fiscal year
9 shall be made by October 1 of that fiscal year; and

10 ~~[+]~~ (3) ~~[+]~~ Commencing with fiscal year 2018-2019, a sum from all
11 general excise tax revenues realized by the State that
12 represents the difference between the state public
13 employer's annual required contribution for the
14 separate trust fund established under section 87A-42
15 and the amount of the state public employer's
16 contributions into that trust fund shall be deposited
17 to the credit of the State's annual required
18 contribution into that trust fund in each fiscal year,
19 as provided in section 87A-42.

20 (c) Beginning on January 1, 2019, the additional revenues
21 generated by the increase in general excise tax and use tax



1 pursuant to Act _____, Session Laws of Hawaii 2017, shall be
2 deposited into a special account in the general fund and shall
3 be distributed as follows:

4 (1) Between January 1, 2019, and _____,
5 \$ _____ shall be transferred on a quarterly basis
6 to the director of finance of a county that has
7 adopted a surcharge on state tax pursuant to Act 247,
8 Session Laws of Hawaii 2005, as amended by Act 240,
9 Session Laws of Hawaii 2015; provided that the funds
10 shall only be transferred if the county provides
11 matching funds in the amount of one-half of the state
12 funds to be transferred; provided further that the
13 transferred funds shall only be used by the county for
14 purposes of section 46-16.8(e), as that section read
15 on the date prior to the effective date of this Act;
16 provided further that any county receiving funds under
17 this section shall submit a report to the legislature
18 twenty days prior to the convening of each regular
19 session on how the transferred funds were expended and
20 the progress of the county in meeting the requirements



1 of section 46-16.8(e), as that section read on the
2 date prior to the effective date of this Act;
3 (2) Between January 1, 2019, and _____,
4 \$ _____ shall be expended for the purposes of
5 education; highway and road construction, maintenance,
6 and repair; affordable housing; and programs and
7 services for the elderly; and
8 (3) Beginning on _____, one hundred per cent of
9 the additional revenues shall be used for the purposes
10 of paragraph (2)."

11 SECTION 22. Section 238-2, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§238-2 Imposition of tax on tangible personal property;**
14 **exemptions.** There is hereby levied an excise tax on the use in
15 this State of tangible personal property which is imported by a
16 taxpayer in this State whether owned, purchased from an
17 unlicensed seller, or however acquired for use in this State.
18 The tax imposed by this chapter shall accrue when the property
19 is acquired by the importer or purchaser and becomes subject to
20 the taxing jurisdiction of the State. The rates of the tax
21 hereby imposed and the exemptions thereof are as follows:



1 (1) If the importer or purchaser is licensed under chapter
2 237 and is:

3 (A) A wholesaler or jobber importing or purchasing
4 for purposes of sale or resale; or

5 (B) A manufacturer importing or purchasing material
6 or commodities which are to be incorporated by
7 the manufacturer into a finished or saleable
8 product (including the container or package in
9 which the product is contained) wherein it will
10 remain in such form as to be perceptible to the
11 senses, and which finished or saleable product is
12 to be sold in such manner as to result in a
13 further tax on the activity of the manufacturer
14 as the manufacturer or as a wholesaler, and not
15 as a retailer,

16 there shall be no tax; provided that if the
17 wholesaler, jobber, or manufacturer is also engaged in
18 business as a retailer (so classed under chapter 237),
19 paragraph (2) shall apply to the wholesaler, jobber,
20 or manufacturer, but the director of taxation shall
21 refund to the wholesaler, jobber, or manufacturer, in



1 the manner provided under section 231-23(c) such
2 amount of tax as the wholesaler, jobber, or
3 manufacturer shall, to the satisfaction of the
4 director, establish to have been paid by the
5 wholesaler, jobber, or manufacturer to the director
6 with respect to property which has been used by the
7 wholesaler, jobber, or manufacturer for the purposes
8 stated in this paragraph;

9 (2) If the importer or purchaser is licensed under chapter
10 237 and is:

11 (A) A retailer or other person importing or
12 purchasing for purposes of sale or resale, not
13 exempted by paragraph (1);

14 (B) A manufacturer importing or purchasing material
15 or commodities which are to be incorporated by
16 the manufacturer into a finished or saleable
17 product (including the container or package in
18 which the product is contained) wherein it will
19 remain in such form as to be perceptible to the
20 senses, and which finished or saleable product is
21 to be sold at retail in this State, in such



1 manner as to result in a further tax on the
2 activity of the manufacturer in selling such
3 products at retail;

4 (C) A contractor importing or purchasing material or
5 commodities which are to be incorporated by the
6 contractor into the finished work or project
7 required by the contract and which will remain in
8 such finished work or project in such form as to
9 be perceptible to the senses;

10 (D) A person engaged in a service business or calling
11 as defined in section 237-7, or a person
12 furnishing transient accommodations subject to
13 the tax imposed by section 237D-2, in which the
14 import or purchase of tangible personal property
15 would have qualified as a sale at wholesale as
16 defined in section 237-4(a)(8) had the seller of
17 the property been subject to the tax in chapter
18 237; or

19 (E) A publisher of magazines or similar printed
20 materials containing advertisements, when the
21 publisher is under contract with the advertisers



1 to distribute a minimum number of magazines or
2 similar printed materials to the public or
3 defined segment of the public, whether or not
4 there is a charge to the persons who actually
5 receive the magazines or similar printed
6 materials,

7 the tax shall be one-half of one per cent of the
8 purchase price of the property, if the purchase and
9 sale are consummated in Hawaii; or, if there is no
10 purchase price applicable thereto, or if the purchase
11 or sale is consummated outside of Hawaii, then one-
12 half of one per cent of the value of such property;
13 and

14 (3) In all other cases, four and one-half per cent of the
15 value of the property.

16 For purposes of this section, tangible personal property is
17 property that is imported by the taxpayer for use in this State,
18 notwithstanding the fact that title to the property, or the risk
19 of loss to the property, passes to the purchaser of the property
20 at a location outside this State. Where plaintiff: (1) caused
21 consumer electronic goods from various mainland vendors to be



1 shipped to Hawaii in order to restock plaintiff's retail stores
2 in this State, constituting importation of goods into the State
3 for purposes of resale; and (2) used the goods in Hawaii by
4 "keeping the property" in this State "for sale", plaintiff was
5 subject to assessment of the use tax under this section."

6 SECTION 23. Section 238-2.3, Hawaii Revised Statutes, is
7 amended to read as follows:

8 **"§238-2.3 Imposition of tax on imported services or**
9 **contracting; exemptions.** There is hereby levied an excise tax
10 on the value of services or contracting as defined in section
11 237-6 that are performed by an unlicensed seller at a point
12 outside the State and imported or purchased for use in this
13 State. The tax imposed by this chapter shall accrue when the
14 service or contracting as defined in section 237-6 is received
15 by the importer or purchaser and becomes subject to the taxing
16 jurisdiction of the State. The rates of the tax hereby imposed
17 and the exemptions from the tax are as follows:

18 (1) If the importer or purchaser is licensed under chapter
19 237 and is:

20 (A) Engaged in a service business or calling in which
21 the imported or purchased services or contracting



1 become identifiable elements, excluding overhead,
2 of the services rendered by the importer or
3 purchaser, and the gross income of the importer
4 or purchaser is subject to the tax imposed under
5 chapter 237 on services at the rate of one-half
6 of one per cent;

7 (B) A manufacturer importing or purchasing services
8 or contracting that become identifiable elements,
9 excluding overhead, of a finished or saleable
10 product (including the container or package in
11 which the product is contained) and the finished
12 or saleable product is to be sold in a manner
13 that results in a further tax on the manufacturer
14 as a wholesaler, and not a retailer; or

15 (C) A contractor importing or purchasing contracting
16 that become identifiable elements, excluding
17 overhead, of the finished work or project
18 required under the contract; provided that:

19 (i) The gross proceeds derived by the contractor
20 are subject to the tax under section
21 237-13(3) as a contractor; and



1 (ii) The contractor could have deducted amounts
2 paid to the subcontractor under section
3 237-13(3)(B) if the subcontractor was
4 subject to general excise tax under chapter
5 237;

6 there shall be no tax imposed on the value of the
7 imported or purchased services or contracting;
8 provided that if the manufacturer is also engaged in
9 business as a retailer as classified under chapter
10 237, paragraph (2) shall apply to the manufacturer,
11 but the director of taxation shall refund to the
12 manufacturer, in the manner provided under section
13 231-23(c), that amount of tax that the manufacturer,
14 to the satisfaction of the director, shall establish
15 to have been paid by the manufacturer to the director
16 with respect to services that have been used by the
17 manufacturer for the purposes stated in this
18 paragraph.

19 (2) If the importer or purchaser is a person licensed
20 under chapter 237 and is:



- 1 (A) Engaged in a service business or calling in which
- 2 the imported or purchased services or contracting
- 3 become identifiable elements, excluding overhead,
- 4 of the services rendered by the importer or
- 5 purchaser, and the gross income from those
- 6 services when sold by the importer or purchaser
- 7 is subject to the tax imposed under chapter 237
- 8 at the highest rate;
- 9 (B) A manufacturer importing or purchasing services
- 10 or contracting that become identifiable elements,
- 11 excluding overhead, of the finished or saleable
- 12 manufactured product (including the container or
- 13 package in which the product is contained) and
- 14 the finished or saleable product is to be sold in
- 15 a manner that results in a further tax under
- 16 chapter 237 on the activity of the manufacturer
- 17 as a retailer; or
- 18 (C) A contractor importing or purchasing services
- 19 that become identifiable elements, excluding
- 20 overhead, of the finished work or project
- 21 required, under the contract, and where the gross



1 proceeds derived by the contractor are subject to
2 the tax under section 237-13(3) as a contractor,
3 the tax shall be one-half of one per cent of the value
4 of the imported or purchased services or contracting;
5 and

6 (3) In all other cases, the importer or purchaser is
7 subject to the tax at the rate of four and one-half
8 per cent on the value of the imported or purchased
9 services or contracting."

10 SECTION 24. Act 247, Session Laws of Hawaii 2005, as
11 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is
12 amended by amending section 9 to read as follows:

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

15 (1) If none of the counties of the State adopt an
16 ordinance to levy a county surcharge on state tax by
17 December 31, 2005, this Act shall be repealed and
18 section 437D-8.4, Hawaii Revised Statutes, shall be
19 reenacted in the form in which it read on the day
20 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;~~] or extended:
- 9 (A) The ordinance shall be repealed on [~~December 31,~~
10 ~~2022;~~ ~~provided that the repeal of the ordinance~~
11 ~~shall not affect the validity or effect of an~~
12 ~~ordinance to extend a surcharge on state tax~~
13 ~~adopted pursuant to Act _____, Session Laws of~~
14 ~~Hawaii 2015;~~] January 1, 2019;
- 15 (B) This Act shall be repealed on [~~December 31,~~
16 ~~2027;~~] January 1, 2019; 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,



Report Title:

Taxation; General Excise Tax; Counties

Description:

Part I: Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. Authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for DOT. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis. Part II: Establishes an income tax credit that reduces the tax liability for low-income taxpayers if their federal adjusted gross income falls below federal poverty guidelines. Authorizes all counties to establish a surcharge on state tax prior to 7/1/2018. Makes permanent the county surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for deposit into the state highway fund. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis. Specifies how county surcharges collected shall be allocated among the counties. Part III: Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge to December 31, 2032; provided that HCDA transfers specified parcels to the city and county of Honolulu and the city and county of Honolulu meets other requirements prior to December 31, 2027. Repeals parts I and III on January 1, 2028, if the requirements are not met. Authorizes counties that have not established a surcharge on state tax by 7/1/2017 to establish a surcharge. Part IV: Increases the general excise and use tax from four per cent to four and one-half per cent. Specifies that an unspecified amount of the additional revenues shall be transferred to any county adopting a surcharge on state tax; provided that such a county matches up to half of the transferred funds. Limits the expenditures allowed by the county. Requires any county adopting a county surcharge on state tax who receives additional tax revenue to report to the legislature annually on revenues and expenditures. Specifies that an unspecified amount of the additional revenues shall be used by the state for education, department of



S.B. NO. 1183
S.D. 1
Proposed

transportation, affordable housing, and elderly programs and services purposes. Repeals the county surcharge on state tax on January 1, 2019. (Proposed SD1)

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



THE SENATE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

RECEIVED
THE SENATE
CLERK'S OFFICE
STATE OF HAWAII

COMMITTEE ON TRANSPORTATION AND ENERGY

Senator Lorraine R. Inouye, Chair
Senator Donovan M. Dela Cruz, Vice Chair

17 FEB 10 P6:31

COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Senator Clarence K. Nishihara, Chair
Senator Glenn Wakai, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, February 15, 2017
TIME: 1:15pm
PLACE: Conference Room 225
State Capitol
415 South Beretania Street

A G E N D A

SB 1183

Proposed
SD1

Status &
Testimony

RELATING TO TAXATION.

Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. Authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for DOT. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis. Part II: Establishes an income tax credit that reduces the tax liability for low-income taxpayers if their federal adjusted gross income falls below federal poverty guidelines. Authorizes all counties to establish a surcharge on state tax prior to 7/1/2018. Makes permanent the county surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for deposit into the state highway fund. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis. Specifies how county surcharges collected shall be allocated among the counties. Part III: Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge to December 31, 2032; provided that HCDA transfers specified parcels to the city and county of Honolulu and the city and county of Honolulu meets other requirements prior to December 31, 2027. Repeals parts I and III on January 1, 2028, if the requirements are not met. Authorizes counties that have not established a surcharge on state tax by 7/1/2017 to establish a surcharge. Part IV: Increases the general excise and use tax from four per cent to four and one-half per cent. Specifies that an unspecified amount of the additional revenues shall be transferred to any county adopting a surcharge on state tax; provided that such a county matches up to half of the transferred funds. Limits the expenditures allowed by the county. Requires any county adopting a county surcharge on state tax who receives additional tax revenue to report to the legislature annually on revenues and expenditures. Specifies that an unspecified amount of the additional revenues shall be used by the state for education, department of transportation, affordable housing, and elderly programs and services purposes. Repeals the county surcharge on state tax on January 1, 2019. (Proposed SD1)

TRE/
PSM,
WAM

Copies of the proposed SD 1 are available from the Senate Document Center and on the Legislature's website:
www.capitol.hawaii.gov.

Decision Making to follow, if time permits.

Click [here](#) to submit testimony to the Senate Committee on Transportation and Energy.



Testimony may be submitted up to 24 hours prior to the start of the hearing.

FOR AMENDED NOTICES: Measures that have been deleted are stricken through and measures that have been added are underscored. If a measure is both underscored and stricken through, that measure has been deleted from the agenda.

If you require auxiliary aids or services to participate in the public hearing process (i.e. ASL or foreign language interpreter, or wheelchair accessibility), please contact the committee clerk at least 24 hours prior to the hearing so that arrangements can be made.

FOR FURTHER INFORMATION, PLEASE CALL THE COMMITTEE CLERK AT (808) 586 7335.



Senator Clarence K. Nishihara
Chair



Senator Lorraine R. Inouye
Chair

