Honolulu, Hawaii

APR 2 8 2017

RE: S.B. No. 1183
        S.D. 2
        H.D. 2
        C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

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

Sirs:

     Your Committee on Conference on the disagreeing vote of the
Senate to the amendments proposed by the House of Representatives in
S.B. No. 1183, S.D. 2, H.D. 2, entitled:

     "A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to
recommend and does recommend to the respective Houses the final
passage of this bill in an amended form.

     The purpose of this measure is to address taxation.

     More specifically, this measure:

     (1) Authorizes a county that has established a county
          surcharge on state tax to extend the surcharge for two
          years, until December 31, 2029, provided that certain
          conditions are met;

(2) Authorizes counties that have not established a surcharge on state tax to do so before January 1, 2018;

(3) Reduces from ten per cent to one per cent the portion of county surcharge on state tax deducted to reimburse the State for administrative costs;

(4) Expressly prohibits a county with a population greater than five hundred thousand from using surcharge revenues for administrative or operating costs of a locally preferred alternative for a mass transit project, including such costs for a rapid transit authority; and

(5) Prohibits a county with a population greater than five hundred thousand from:

    (A) Prohibiting the use of county funds for capital costs of a locally preferred alternative for a mass transit project; or

    (B) Using county surcharge revenues for purposes other than capital costs of a locally preferred alternative for a mass transit project,

    and provides that any extension of the surcharge on state tax will not take effect if the county violates any of the conditions in subparagraph (A) or (B).

Your Committee on Conference finds that this measure will provide a financial mechanism to continue construction of a locally preferred alternative for a mass transit project, subject to appropriate conditions.

However, your Committee on Conference believes that it is more fiscally prudent to establish a mechanism that provides transient accommodations tax revenues for the purposes of this Act, so that a greater proportion of the funding for a locally preferred alternative for a mass transit project is derived from visitors to the State.

Your Committee on Conference has amended this measure by:

(1) Deleting provisions authorizing a county that has established a county surcharge on state tax to extend the surcharge for two years, until December 31, 2029;

(2) Imposing requirements and conditions on the authority of counties to establish a new surcharge on state tax pursuant to this measure;

(3) Expanding to all counties the prohibition on forbidding the use of county funds for capital costs of a locally preferred alternative for a mass transit project;

(4) Establishing the new start education special fund;

(5) Subject to certain conditions imposed by this measure, increasing the transient accommodations tax by 2.75 per cent from January 1, 2018, to December 31, 2027, and allocating:

   (A) $50,000,000 in transient accommodations tax revenue per year to the new start education fund; and

   (B) The remaining revenue to a county with a population greater than five hundred thousand to be used only for capital costs of a locally preferred alternative for a mass transit project;

(6) Requiring that, from January 1, 2018, to December 31, 2027, $13,000,000 per year from the 44.1 per cent portion of transient accommodations tax revenue allocated to the City and County of Honolulu be used only for capital costs of a locally preferred alternative for a mass transit project; and

(7) Prohibiting a county from using public funds to reconstruct or redevelop the Neal S. Blaisdell Center while the county is collecting a surcharge on state tax to finance capital costs of a locally preferred alternative for a mass transit project.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1183, S.D. 2, H.D. 2, as amended herein, and recommends

that it pass Final Reading in the form attached hereto as S.B.
No. 1183, S.D. 2, H.D. 2, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE

_____
HENRY J.C. AQUINO
Co-Chair

_____
LORRAINE R. INOUYE
Chair

_____
SYLVIA LUKE
Co-Chair

_____
CLARENCE K. NISHIHARA
Co-Chair

_____
JILL N. TOKUDA
Co-Chair

CCR 192

Bill / Concurrent Resolution No.: **SB 1183, SD 2, HD 2**	Date/Time: 4/28 2017 1:45PM

☑ The recommendation of the House and Senate managers is to pass with amendments (CD).

☐ The Committee is reconsidering its previous decision.

☐ The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	☐ The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
INOUYE, Lorraine R., Chr.	✓				AQUINO, Henry J.C., Co-Chr.	✓			
NISHIHARA, Clarence K., Co-Chr.	✓				LUKE, Sylvia, Co-Chr.	✓	✓		
TOKUDA, Jill N., Co-Chr.	✓				MCDERMOTT, Bob		✓		
DELA CRUZ, Donovan M.	✓								
TOTAL	4				TOTAL	2	1		

A = Aye   WR = Aye with Reservations   N = Nay   E = Excused

Senate Recommendation is: ☑ Adopted ☐ Not Adopted	House Recommendation is: ☑ Adopted ☐ Not Adopted
Senate Lead Chair's or Designee's Signature: *Lorraine R. Inouye*	House Lead Chair's or Designee's Signature: