
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. Section 46-16.8, Hawaii Revised Statutes, is
3 amended by amending subsection (c) to read as follows:

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

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

11 (2) The ordinance shall be adopted prior to [July]
12 January 1, [2016,] 2018 [~~but no earlier than July 1,~~
13 ~~2015~~]; and

14 (3) No county surcharge on state tax that may be
15 authorized under this subsection shall be levied prior
16 to January 1, [~~2018,~~] 2019, or after December 31,
17 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~~] 2019, the director
5 of taxation shall levy, assess, collect, and otherwise
6 administer the county surcharge on state tax."

7 SECTION 2. Section 237-8.6, Hawaii Revised Statutes, is
8 amended by amending subsection (b) to read as follows:

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

14 (1) Prior to:

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

18 (B) January 1, [~~2018~~] 2019, if the county surcharge
19 on state tax was established by the adoption of
20 an ordinance after June 30, 2015, but prior to
21 [~~July 1, 2016~~] January 1, 2018; and



1 (2) After December 31, 2027."

2 SECTION 3. Section 238-2.6, Hawaii Revised Statutes, is
3 amended by amending subsection (b) to read as follows:

4 "(b) Each county surcharge on state tax that may be
5 adopted or extended shall be levied beginning in ~~[the]~~ a taxable
6 year after the adoption of the relevant county ordinance;
7 provided that no surcharge on state tax may be levied:

8 (1) Prior to:

9 (A) January 1, 2007, if the county surcharge on state
10 tax was established by an ordinance adopted prior
11 to December 31, 2005; or

12 (B) January 1, ~~[2018,]~~ 2019, if the county surcharge
13 on state tax was established by the adoption of
14 an ordinance after June 30, 2015, but prior to
15 ~~[July 1, 2016,]~~ January 1, 2018; and

16 (2) After December 31, 2027."

17 SECTION 4. Section 248-2.6, Hawaii Revised Statutes, is
18 amended by amending subsection (a) to read as follows:

19 "(a) If adopted by county ordinance, all county surcharges
20 on state tax collected by the director of taxation shall be paid
21 into the state treasury quarterly, within ten working days after



1 collection, and shall be placed by the director of finance in
2 special accounts. Out of the revenues generated by county
3 surcharges on state tax paid into each respective state treasury
4 special account, the director of finance shall deduct [~~ten~~] one
5 per cent of the gross proceeds of a respective county's
6 surcharge on state tax to reimburse the State for the costs of
7 assessment, collection, [~~and~~] disposition, and oversight of the
8 county surcharge on state tax incurred by the State. Amounts
9 retained shall be general fund realizations of the State."

10 SECTION 5. Act 247, Session Laws of Hawaii 2005, as
11 amended by Act 240, Session Laws of Hawaii 2015, is amended by
12 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:

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 240, Session Laws of~~
14 ~~Hawaii 2015,~~] an act of the legislature; and

15 (B) This Act shall be repealed on December 31, 2027;
16 and

17 [~~(C) Section~~] section 437D-8.4, Hawaii Revised
18 Statutes, shall be reenacted in the form in which
19 it read on the day prior to the effective date of
20 this Act; provided that the amendments made to
21 section 437D-8.4, Hawaii Revised Statutes, by Act



- 1 systems already in existence prior to July 12,
- 2 2005 [-];
- 3 (2) For operating costs of the mass transit project or any
- 4 purpose not consistent with this subsection; or
- 5 (3) For administrative or operating costs, including
- 6 personnel costs, of a rapid transportation authority
- 7 charged with the responsibility for constructing or
- 8 operating the mass transit project, or both."

PART III

SECTION 7. (a) For the purposes of this section:

"Locally preferred alternative for a mass transit project"

means the minimum operable segment of the locally preferred alternative for a mass transit project that the county rapid transportation authority is constructing under a full funding agreement with the Federal Transit Administration.

(b) A county shall not:

(1) Prohibit the use of county funds for the capital cost of the locally preferred alternative for a mass transit project; or

(2) Expend funds derived from the county surcharge on state tax revenues for purposes other than as provided



1 in section 46-16.8(e) or (f), Hawaii Revised Statutes,
2 as applicable.

3 Notwithstanding any other law to the contrary, if there is
4 an existing ordinance that violates paragraph (1) or (2), or
5 both, in effect on the effective date of this Act, the county
6 shall repeal the ordinance before December 31, 2017.

7 (c) The mayor of a county shall notify the director of
8 taxation within ten days of the mayor's approval of the repeal
9 of an ordinance that violates subsection (b) (1), (b) (2), or
10 both.

11 PART IV

12 SECTION 8. Section 237D-2, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "§237D-2 Imposition and rates. (a) There is levied and
15 shall be assessed and collected each month a tax of:

16 (1) Five per cent for the period beginning on January 1,
17 1987, to June 30, 1994;

18 (2) Six per cent for the period beginning on July 1, 1994,
19 to December 31, 1998;

20 (3) 7.25 per cent for the period beginning on January 1,
21 1999, to June 30, 2009;



1 (4) 8.25 per cent for the period beginning on July 1,
2 2009, to June 30, 2010; and

3 (5) 9.25 per cent for the period beginning on July 1,
4 2010, and thereafter;

5 on the gross rental or gross rental proceeds derived from
6 furnishing transient accommodations.

7 (b) Every operator shall pay to the State the tax imposed
8 by subsection (a), as provided in this chapter.

9 (c) There is levied and shall be assessed and collected
10 each month, on the occupant of a resort time share vacation
11 unit, a transient accommodations tax of:

12 (1) 7.25 per cent on the fair market rental value until
13 December 31, 2015;

14 (2) 8.25 per cent on the fair market rental value for the
15 period beginning on January 1, 2016, to December 31,
16 2016; and

17 (3) 9.25 per cent on the fair market rental value for the
18 period beginning on January 1, 2017, and thereafter.

19 (d) Every plan manager shall be liable for and pay to the
20 State the transient accommodations tax imposed by subsection (c)
21 as provided in this chapter. Every resort time share vacation



1 plan shall be represented by a plan manager who shall be subject
2 to this chapter.

3 (e) Notwithstanding the tax rates established in
4 subsection (a)(5) and subsection (c)(3), the tax rates levied,
5 assessed, and collected pursuant to subsections (a) and (c)
6 shall be 12 per cent for the period beginning on January 1,
7 2018, to December 31, 2027; provided that of the tax revenues
8 collected pursuant to this section that are in excess of a 9.25
9 per cent tax:

10 (1) \$50,000,000 shall be allocated to the new start
11 education special fund established under section
12 302A- ; and

13 (2) The remainder shall be remitted to a county with a
14 population greater than five hundred thousand that
15 adopts or extends a county surcharge on state tax
16 ordinance pursuant to section 46-16.8, and shall be
17 used only for the capital costs of a locally preferred
18 alternative for a mass transit project."

19 SECTION 9. Section 237D-6.5, Hawaii Revised Statutes, is
20 amended by amending subsection (b) to read as follows:



1 "(b) [Revenues] Except for the revenues collected pursuant
2 to section 237D-2(e), revenues collected under this chapter
3 shall be distributed in the following priority, with the excess
4 revenues to be deposited into the general fund:

5 (1) \$1,500,000 shall be allocated to the Turtle Bay
6 conservation easement special fund beginning July 1,
7 2015, for the reimbursement to the state general fund
8 of debt service on reimbursable general obligation
9 bonds, including ongoing expenses related to the
10 issuance of the bonds, the proceeds of which were used
11 to acquire the conservation easement and other real
12 property interests in Turtle Bay, Oahu, for the
13 protection, preservation, and enhancement of natural
14 resources important to the State, until the bonds are
15 fully amortized;

16 (2) \$26,500,000 shall be allocated to the convention
17 center enterprise special fund established under
18 section 201B-8;

19 (3) \$82,000,000 shall be allocated to the tourism special
20 fund established under section 201B-11; provided that:



- 1 (A) Beginning on July 1, 2012, and ending on June 30,
2 2015, \$2,000,000 shall be expended from the
3 tourism special fund for development and
4 implementation of initiatives to take advantage
5 of expanded visa programs and increased travel
6 opportunities for international visitors to
7 Hawaii;
- 8 (B) Of the \$82,000,000 allocated:
- 9 (i) \$1,000,000 shall be allocated for the
10 operation of a Hawaiian center and the
11 museum of Hawaiian music and dance at the
12 Hawaii convention center; and
- 13 (ii) 0.5 per cent of the \$82,000,000 shall be
14 transferred to a sub-account in the tourism
15 special fund to provide funding for a safety
16 and security budget, in accordance with the
17 Hawaii tourism strategic plan 2005-2015; and
- 18 (C) Of the revenues remaining in the tourism special
19 fund after revenues have been deposited as
20 provided in this paragraph and except for any sum
21 authorized by the legislature for expenditure



1 from revenues subject to this paragraph,
2 beginning July 1, 2007, funds shall be deposited
3 into the tourism emergency special fund,
4 established in section 201B-10, in a manner
5 sufficient to maintain a fund balance of
6 \$5,000,000 in the tourism emergency special fund;

7 (4) \$103,000,000 for fiscal year 2014-2015, \$103,000,000
8 for fiscal year 2015-2016, \$103,000,000 for fiscal
9 year 2016-2017, and \$93,000,000 for each fiscal year
10 thereafter shall be allocated as follows: Kauai
11 county shall receive 14.5 per cent, Hawaii county
12 shall receive 18.6 per cent, city and county of
13 Honolulu shall receive 44.1 per cent, and Maui county
14 shall receive 22.8 per cent; provided that
15 [commencing]:

16 (A) Commencing with fiscal year 2018-2019, a sum that
17 represents the difference between a county public
18 employer's annual required contribution for the
19 separate trust fund established under section
20 87A-42 and the amount of the county public
21 employer's contributions into that trust fund



1 shall be retained by the state director of
2 finance and deposited to the credit of the county
3 public employer's annual required contribution
4 into that trust fund in each fiscal year, as
5 provided in section 87A-42, if the respective
6 county fails to remit the total amount of the
7 county's required annual contributions, as
8 required under section 87A-43; and

9 (B) For the period beginning on January 1, 2018, to
10 December 31, 2027, of the 44.1 per cent of
11 revenues allocated each year to the city and
12 county of Honolulu pursuant to this paragraph,
13 \$13,000,000 shall be expended only for the
14 capital costs of a locally preferred alternative
15 for a mass transit project;

16 (5) \$3,000,000 shall be allocated to the special land and
17 development fund established under section 171-19;
18 provided that the allocation shall be expended in
19 accordance with the Hawaii tourism authority strategic
20 plan for:



1 taxpayers by government at any single time should be limited.
2 Plans to renovate or redevelop the Neal S. Blaisdell Center are
3 expected to require a large amount of taxpayer money, and
4 imposing that additional burden on taxpayers through the
5 issuance of general obligation bonds or other financing
6 mechanisms available to political subdivisions, which are funded
7 by tax revenues, is not prudent in a county that is already
8 imposing such a heavy burden on taxpayers to fund a major mass
9 transit project.

10 Accordingly, the purpose of this part is to prohibit a
11 county with a population greater than five hundred thousand that
12 is collecting a general excise tax surcharge to fund capital
13 costs of a locally preferred alternative for a mass transit
14 project from using public funds to reconstruct or redevelop the
15 event venue known as the Neal S. Blaisdell Center, including its
16 associated infrastructure and appurtenances.

17 SECTION 11. A county with a population greater than five
18 hundred thousand that receives revenues from a county surcharge
19 on state tax established pursuant to section 46-16.8, Hawaii
20 Revised Statutes, is prohibited from using public funds to
21 reconstruct or redevelop the event venue known as the Neal S.



1 Blaisdell Center, including its associated infrastructure and
2 appurtenances, from the effective date of this Act to December
3 31, 2027; provided that this section shall not apply to
4 aggregated expenditures that total no more than \$100,000,000
5 from the effective date of this Act to December 31, 2027, for
6 the operation or maintenance and repair of the Neal S. Blaisdell
7 Center.

8 As used in this section, "maintenance and repair" means
9 ordinary maintenance and repair that is necessary to keep a
10 facility clean, safe, accessible, and operational, but excludes
11 the construction of new facilities or the reconstruction or
12 redevelopment of existing facilities.

13 PART VI

14 SECTION 12. Chapter 302A, Hawaii Revised Statutes, is
15 amended by adding a new section to part I to be appropriately
16 designated and to read as follows:

17 "§302A- New start education special fund; established.

18 (a) There is established the new start education special fund
19 to be administered by the department.

20 (b) Transient accommodations tax revenues allocated to the
21 new start education special fund pursuant to section



1 237D-2(e)(1) shall be deposited into the new start education
2 special fund.

3 (c) Moneys in the new start education special fund shall
4 be expended for the purposes of the new start education
5 program."

6 PART VII

7 SECTION 13. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 14. (a) This Act shall take effect upon its
10 approval; provided that the effect of this Act shall be subject
11 to the conditions of subsections (b) and (c).

12 (b) For each county that has adopted and extended a
13 surcharge on state tax pursuant to section 46-16.8(b), Hawaii
14 Revised Statutes, if on December 31, 2017, all of the conditions
15 set out in sections 7(b) and 11 of this Act are met, then
16 effective January 1, 2018, the director of taxation may levy,
17 assess, and collect the transient accommodations tax at the
18 increased rate established under part IV of this Act; provided
19 that:

20 (1) If on December 31, 2017, all of the conditions set out
21 in sections 7(b) and 11 of this Act are not met, the



1 increase in transient accommodations tax rates and the
2 remittance of the revenues thereof to a qualifying
3 county, pursuant to part IV of this Act, shall not
4 take effect; and

5 (2) If at any time between January 1, 2018, and
6 December 31, 2027, the county is not in compliance
7 with sections 7(b) and 11 of this Act, the increase in
8 transient accommodations tax rates and the remittance
9 of the revenues thereof to a qualifying county,
10 pursuant to part IV of this Act, shall be immediately
11 suspended until all of the conditions set out in
12 sections 7(b) and 11 of this Act are met.

13 (c) For each county establishing a surcharge on state tax
14 pursuant to section 46-16.8(c), Hawaii Revised Statutes, as
15 amended in section 1 of this Act, if on December 31, 2018, all
16 of the conditions pertaining to the surcharge adoption authority
17 under section 46-16.8(c), Hawaii Revised Statutes, as amended in
18 section 1 of this Act, and all of the conditions under section
19 7(b) of this Act are met, then effective January 1, 2019, the
20 director of taxation may levy, assess, and collect the surcharge



1 on state tax and disburse surcharge revenues pursuant to part I
2 of this Act; provided that:

3 (1) If on December 31, 2018, all of the conditions under
4 section 46-16.8(c), Hawaii Revised Statutes, as
5 amended in section 1 of this Act, and all of the
6 conditions in section 7(b) of this Act are not met,
7 the authorization to levy, assess, and collect a
8 surcharge on state tax and the disbursement of
9 surcharge revenues, pursuant to part I of this Act,
10 shall not take effect; and

11 (2) If at any time between January 1, 2019, and
12 December 31, 2027, all of the conditions under section
13 46-16.8(c), Hawaii Revised Statutes, as amended in
14 section 1 of this Act, and all of the conditions in
15 section 7(b) of this Act are not met, the
16 authorization to levy, assess, and collect a surcharge
17 on state tax and the disbursement of surcharge
18 revenues, pursuant to part I of this Act, shall be
19 immediately suspended until all of the conditions
20 under section 46-16.8(c), Hawaii Revised Statutes, as



1 amended in section 1 of this Act, and all of the
2 conditions in section 7(b) of this Act are met.



Report Title:

County Surcharge on State Tax

Description:

Authorizes a county to adopt a surcharge on state tax before 1/1/2018, provided that certain conditions are met. Increases the transient accommodations tax by 2.75 per cent from 1/1/2018 to 12/31/2027 and provides that the revenue shall be remitted 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. Provides that \$13 million per year from the portion of transient accommodations tax revenues allocated to the city and county of Honolulu shall be used only for capital costs of a locally preferred alternative for a mass transit project. Prohibits a county from using public funds to renovate 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. Establishes the New Start Education Special Fund and allocates a portion of transient accommodations tax revenue to the fund. (CD1)

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

