

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1363, Relating to Taxation

BEFORE THE:

House Committee on Labor & Government Operations

DATE: Tuesday, February 7, 2023

TIME: 9:00 a.m.

LOCATION: State Capitol, Room 309

Chair Matayoshi, Vice-Chair Garrett, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1363 for your consideration.

H.B. 1363 amends section 46-16.8, Hawaii Revised Statutes (HRS), to extend the period in which a county may adopt a surcharge on state tax from March 31, 2019 to December 31, 2023, with the new surcharge being levied beginning on or after January 1, 2025. The measure also authorizes counties that have already adopted a surcharge to amend the rate previously adopted, up to the maximum 0.5 percent rate, by amending their ordinance prior to December 31, 2023. The measure is effective upon approval.

The Department notes that Maui county has not adopted a county surcharge, while Honolulu, Kauai, and Hawaii counties currently have county surcharges at the maximum 0.5 percent rate.

In the event that Honolulu, Kauai, and/or Hawaii counties amends their ordinances to change the county surcharge rate, the Department will need time to make the necessary form and system changes. Accordingly, the Department requests that the proposed language in section 46-16.8(d), HRS, on page 7 of the bill, is amended to specify that any change to the county surcharge rate shall not be effective prior to January 1, 2025.

Department of Taxation Testimony
HB 1363
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In the event that Maui county adopts a county surcharge, the Department is able to implement the newly established county surcharge based on the January 1, 2025 effective date.

Thank you for the opportunity to provide testimony on this measure.

Council Chair
Alice L. Lee



Director of Council Services
Traci N. T. Fujita, Esq.

Councilmembers
Tom Cook
Gabe Johnson
Tasha Kama
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Yuki Lei K. Sugimura
Nohelani U'u-Hodgins

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 3, 2023

TO: Honorable Scot Z. Matayoshi, Chair
COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

FROM: Yuki Lei Sugimura *Yuki Lei Sugimura*
Councilmember

DATE: February 2, 2023

SUBJECT: **HB 1363, RELATING TO TAXATION**

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The purpose of this measure is to provide an opportunity for counties to collect surcharge revenues.

I **SUPPORT** this measure for the following reasons:

1. As a supporter of affordable housing, this is as an opportunity to provide funding for infrastructure for new potential developments in our county.
2. With this surcharge, counties do not need to solely rely on developers to take care of the costs.
3. Costs that too often get added on to new homeowners will no longer be necessary if counties are able to fund infrastructure on their own.

For the foregoing reasons, **I SUPPORT** this measure.

RICHARD T. BISSEN, JR.
Mayor

KEKUHAUPIO R. AKANA
Acting Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

February 5, 2023

TO: Honorable Representative Scot Z. Matayoshi, Chair
Honorable Representative Andrew Takuya Garrett, Vice Chair
House Committee on Labor & Government Operations

FROM: Richard T. Bissen, Jr., Mayor
Scott Teruya, Director of Finance

DATE: February 5, 2023

SUBJECT: SUPPORT OF HB 1363, RELATING TO TAXATION

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The purpose of this measure is to extend the period in which a county may adopt a surcharge on state tax, under certain conditions, from March 31, 2019, to December 31, 2023; authorize, in certain instances, the use of county surcharge revenues for housing infrastructure; and temporarily authorize counties that have previously adopted a surcharge on state tax to amend the rates and uses of the surcharge.

Our administration **SUPPORTS** this measure for the following reasons:

1. According to the Maui Real Estate Report, the median sale price for a single-family home in Maui County is \$1,092,500. A county surcharge on state tax will generate funding to increase capacity to support affordable and workforce housing infrastructure.
2. According to the United States Census, the median household income for a family in Maui County is \$88,249, however, according to the Living Wage Calculator, a living wage for a family of 4 in Maui County is \$118,043. Cost of living in Maui County often prevents residents from purchasing a home, so a county surcharge would support vital funding to providing affordable homeowner opportunities for residents.
3. A county surcharge would provide incentive for developers to design infrastructure in a manner that takes into account state and county planning objectives, long-range planning, or regional or island-wide cohesion.

For the foregoing reasons, we offer our **SUPPORT** of this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Allow county revenues to be used for housing infrastructure

BILL NUMBER: HB 1363, SB 1568

INTRODUCED BY: HB by YAMASHITA; SB by KEITH-AGARAN

EXECUTIVE SUMMARY: Extends the period in which a county may adopt a surcharge on state tax, under certain conditions, from 3/31/2019 to 12/31/2023. Authorizes the use of county surcharge revenues for housing infrastructure. Temporarily authorizes counties that have previously adopted a surcharge on state tax to amend the rates and uses of the surcharge.

SYNOPSIS: Adds a new subsection (d) to section 46-16.8, HRS, providing that each county that has previously adopted the county surcharge on state tax may change the rate, or permitted uses of the funds, by ordinance amendment prior to December 31, 2023.

Adds the following as a permissible use of county surcharge revenues for any county with a population less than 500,000 (*i.e.*, excluding Honolulu):

Housing infrastructure; provided that a county that uses surcharge revenues for housing infrastructure shall not pass on related infrastructure costs to the developer of a housing project.

Requires that a county adopting a surcharge tax ordinance after December 31, 2022 (namely Maui) use the county surcharge moneys exclusively for housing infrastructure.

Defines "housing infrastructure" as including water, drainage, sewer, waste disposal, and waste treatment systems that connect to the infrastructure of the county. "Infrastructure" also includes pedestrian paths or sidewalks on a county road near or around a public school.

Amends section 237-8.6 and 238-2.6, HRS, to allow Maui a window between March 31, 2019, and December 31, 2023, to adopt a GET and Use Tax surcharge, and if adopted it would go into effect on or after January 1, 2025.

Makes technical and conforming amendments.

EFFECTIVE DATE: July 1, 2023; provided that section 2 shall take effect on June 29, 2023.

STAFF COMMENTS: The county surcharge on the General Excise Tax is used in the City & County of Honolulu to support its rail mass transit project. The law creating the county surcharge for the other counties allowed those counties to use the surcharge funds for transportation infrastructure. Housing costs do not appear to be transportation infrastructure. Thus, the proposed additional use of county surcharge revenue does not seem to be within the spirit of the law, and raises the question of whether section 46-16.8, HRS, as amended, would be

Re: HB 1363, SB 1568

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a “general law” that is permissible under Article VIII, section 1 of the Hawaii Constitution for conferring powers upon counties.

Digested: 2/2/2023



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 6, 2023

Representative Scot Matayoshi, Chair
Representative Andrew Garrett, Vice Chair
Members of the House Committee on Labor
And Government Operations

RE: **HB1363 – Relating to Taxation**
Hearing date: February 7, 2023 at 9:00AM

Aloha Chair Dela-Cruz, and members of the committees,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii providing **COMMENTS** on HB1363. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB1363 extends the period in which a county may adopt a surcharge on state tax, under certain conditions until 12/31/2023. The measure further authorizes the use of county surcharge revenues for housing infrastructure.

NAIOP Hawaii understands the intent of HB1363, to generate additional GET tax revenue to assist in the housing infrastructure. NAIOP appreciates the State's efforts to encourage the development of housing by preventing a developer from financing the costs of installing infrastructure.

However, the measure adds another layer onto the State GET to pay for affordable housing and its infrastructure. Hawaii is already among the highest taxed states in the country and this measure will increase the already substantial tax burden on our residents. While NAIOP appreciates the Legislature's commitment to designing creative policy solutions, we believe that there are better alternatives for counties to fund housing infrastructure rather than increasing GET taxes.

Mahalo for your consideration,

Jennifer Camp, President
NAIOP Hawaii

Council Chair
Alice L. Lee



Director of Council Services
Traci N. T. Fujita, Esq.

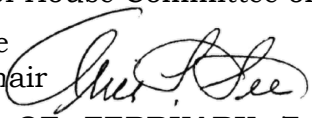
Councilmembers
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February 3, 2023

TO: The Honorable Scot Z. Matayoshi, Chair, and
Members of House Committee on Labor & Government Operations

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 7, 2023; TESTIMONY IN SUPPORT OF
HB 1363, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to extend Maui County's time to enact a General Excise Tax surcharge to the end of the year and to authorize the use of county surcharge revenues for housing infrastructure

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. Maui County is the only County in the State that is not receiving the benefits of the GET surcharge.
2. The surcharge would provide much-needed revenue for Maui County to address its affordable-housing crisis by no longer requiring developers to finance the costs of installing infrastructure up front, and homebuyers would no longer see the costs of infrastructure passed on to them.
3. The County and the State have a mutual interest in supporting infrastructure projects that promote affordable-housing development.
4. This measure would help ensure skilled employees stay in Maui County, providing economic and social benefits to the community, instead of leaving because of a lack of housing options.

For the foregoing reasons, I **support** this measure.