



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-SECOND LEGISLATURE, 2024**

ON THE FOLLOWING MEASURE:

S.B. NO. 1099, S.D. 1, RELATING TO TAXATION.

BEFORE THE:

HOUSE COMMITTEE ON LABOR AND GOVERNMENT OPERATIONS

DATE: Tuesday, March 19, 2024 **TIME:** 10:00 a.m.

LOCATION: State Capitol, Room 309 and Videoconference

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Tammy Kaneshiro, Deputy Attorney General

Chair Matayoshi and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This is a 2023 carried over bill that proposes to extend the period and establish the conditions under which a county may adopt a surcharge on state tax by amending sections 46-16.8, 237-8.6(b), and 238-2.6(b), Hawaii Revised Statutes (HRS). This bill authorizes the use of the surcharge revenues for affordable and workforce housing infrastructure, and housing infrastructure which includes roadways, water, and sewer.

In 2023, the Legislature amended sections 46-16.8, 237-8.6(b), and 238-2.6(b), HRS, in a different bill—Act 48, Session Laws of Hawaii 2023—which took effect on June 1, 2023. Because this bill does not reflect the amendments made in Act 48, , the underlying statutory wording in this bill for sections 46-16.8, 237-8.6(b), and 238-2.6(b), HRS, should be amended to track the current statutory wording of these sections as shown in the 2023 HRS Supplement before any additional amendments are made.

Thank you for the opportunity to provide comments.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

Tuesday, March 19, 2024 at 10:00 a.m.
State Capitol, Room 309

In consideration of
S.B. 1099 SD1
RELATING TO TAXATION.

Chair Matayoshi, Vice Chair Garrett, and members of the Committee.

HHFDC **supports the intent** of SB 1099 SD1 to the extent that it enhances the ability of the County of Maui to finance housing infrastructure with the General Excise Tax surcharge under Act 48, Session Laws of Hawaii 2023.

Thank you for the opportunity to testify on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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P.O. BOX 259

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1099, S.D. 1, Relating to Taxation

BEFORE THE:

House Committee on Labor & Government Operations

DATE: Tuesday, March 19, 2024

TIME: 10:00 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 S.B. 1099, S.D. 1, for your consideration.

S.B. 1099, S.D. 1, extends the deadline for a county to adopt an ordinance to establish a surcharge on state tax from March 31, 2021, to July 1, 2024, with the new surcharge being levied no earlier than January 1, 2025 for ordinances adopted on or after March 31, 2021, but prior to July 1, 2024. The measure also authorizes counties with a population equal to or less than 500,000 that have already adopted a surcharge to amend the authorized use of surcharge to include "[a]ffordable and workforce housing infrastructure," noting that any county with a population equal to or less than 500,000 implementing a new surcharge may only use proceeds from the new surcharge for "[a]ffordable and workforce housing infrastructure." This measure is effective upon its approval.

The Department notes that pursuant to Act 48, Session Laws of Hawaii (SLH) 2023, all counties now have a county surcharge, with Maui's surcharge becoming effective January 1, 2024. As written, the bill does not reflect the changes made to the county surcharge on state tax enacted by Act 48, SLH 2023. The proposed amendments, beginning on page 5, line 10, would amend the current HRS section 46-16.8(g), and proposed amendments beginning on page 6, line 20, would be the new subsection (h). If

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passed, subsequent versions of the bill should reflect the re-lettering of sections under Act 48, SLH 2023.

Thank you for the opportunity to provide comments on this bill.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



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

March 18, 2024

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

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF MARCH 19, 2024; COMMENTS ON SB1099, SD1,
RELATING TO TAXATION**

Thank you for the opportunity to offer the following comments as an individual member of the Maui County Council:

1. Recovery from the August 2023 wildfires is causing unprecedented financial challenges for Maui County and the State.
2. To respond to the challenges, I suggest an amendment in the bill so that Maui County would be allowed additional time to amend its ordinance establishing a surcharge on the State General Excise Tax (Chapter 3.100, Maui County Code).
3. With additional time to amend its ordinance, the Maui County Council could consider changing the designated allocations for revenue from the surcharge. For instance, the ordinance now has a 20 percent set-aside for a State agency. I would suggest that the set aside be suspended for three years to allow for the revenue to be appropriated to more urgent matters, such as infrastructure for County-supported housing projects.

Thank you for your consideration.

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Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Gabe Johnson
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



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

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March 18, 2024

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

FROM: Yuki Lei Sugimura
Council Vice-Chair

Yuki Lei Sugimura

DATE: March 18, 2024

SUBJECT: **SUPPORT FOR SB 1099 SD1, RELATING TO TAXATION**

Thank you for the opportunity to testify in SUPPORT of this important measure. The purpose of this measure is provide opportunity for counties to use surcharge revenues for housing infrastructure, including roadways, water, and sewer.

I SUPPORT this measure for the following reasons:

1. As a supporter of affordable housing, this is as an opportunity to provide infrastructure for new potential developments in our county.
2. With this surcharge, counties do not need to solely rely on developers to make affordable housing happen.

For the foregoing reasons, I SUPPORT 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 affordable and workforce housing infrastructure, including roadways, water, and sewer.

BILL NUMBER: SB 1099 SD 1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Extends the period in which a county may adopt a surcharge on state tax, under certain conditions. Authorizes the use of the surcharge revenues for affordable and workforce housing infrastructure. Allows the counties to use surcharge revenues for housing infrastructure, including roadways, water, and sewer.

SYNOPSIS: Amends section 46-16.8(f), HRS, to allow county surcharge revenues to be used for:

Affordable and workforce housing infrastructure to provide housing for households having incomes of not more than one hundred forty per cent of the area median income, as determined by the United States Department of Housing and Urban Development; provided that a county that uses surcharge revenues for affordable housing shall not pass on related infrastructure costs to the developer of a housing project that sells or rents its housing units to households having incomes of not more than one hundred forty per cent of the area median income.

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

States that each county adopting a surcharge may use all or part of the money collected for housing infrastructure, including roadways, water, and sewer.

Amends section 237-8.6 and 238-2.6, HRS, to allow Maui a window between March 31, 2021, and July 1, 2024, to adopt a GET and Use Tax surcharge, and if adopted it would go into effect on or after January 1, 2025.

EFFECTIVE DATE: Upon Approval.

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.

Digested: 3/15/2024