

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

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1099, Relating to Taxation

BEFORE THE:

Senate Committee on Ways and Means

DATE: Tuesday, February 28, 2023
TIME: 10:00 a.m.
LOCATION: State Capitol, Room 211 & Videoconference

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1099 for your consideration.

S.B. 1099 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 housing infrastructure, noting that any county with a population equal to or less than 500,000 implementing a new surcharge may only use the proceeds for housing infrastructure. This measure is effective upon its 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.

The Department further notes that Maui County has expressed an intent to enact an ordinance establishing a surcharge to be levied beginning on January 1, 2024. The Department is able to implement a newly established county surcharge by January 1, 2024 if the ordinance is enacted by August 1, 2023. If the ordinance is enacted after August 1, 2023, but before July 1, 2024, the Department would be able to implement the surcharge beginning on January 1, 2025.

Department of Taxation Testimony
S.B. 1099
February 28, 2023
Page 2 of 2

Finally, the Department estimates that S.B. 1099 will have no material impact on State revenues.

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

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 23, 2023

TO: Honorable Donovan M. Dela Cruz, Chair
Committee on Ways and Means

FROM: Yuki Lei Sugimura *Yuki Lei Sugimura*
Councilmember

DATE: February 23, 2023

SUBJECT: **SB 1099, RELATING TO TAXATION**

Thank you for the opportunity to testify in 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.

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 24, 2023

TO: Honorable Senator Donovan M. Dela Cruz, Chair
Honorable Senator Gilbert S.C. Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

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

DATE: February 24, 2023

SUBJECT: SUPPORT OF SB 1099, 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, and allow counties to use surcharge revenue for affordable and workforce housing infrastructure, including roadways, water, and sewer.

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. As aging infrastructure remains an ongoing concern for the County of Maui, a county surcharge will provide funding to address upgrade and repairs to existing infrastructure.

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

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



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

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 24, 2023

TO: The Honorable Donovan M. Dela Cruz, Chair, and
Members of the Senate Committee on Ways and Means

FROM: Alice L. Lee
Council Chair

A handwritten signature in cursive script, appearing to read "Alice L. Lee".

SUBJECT: **HEARING OF FEBRUARY 28, 2023; TESTIMONY IN SUPPORT OF SB 1099, RELATING TO TAXATION**

Thank you for the opportunity to testify in **support** of this important measure. This measure's purpose is to give the County of Maui until July 1, 2024, to enact an ordinance for a General Excise Tax surcharge to fund 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 currently is not receiving the benefits of the surcharge on state tax.
2. The surcharge would provide much-needed revenue for Maui County to address its affordable-housing crisis.
3. The County and the State have a mutual interest in supporting infrastructure projects that promote affordable-housing development.

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, HB 1479

INTRODUCED BY: SB by KEITH-AGARAN, KANUHA, MCKELVEY; HB by SAIKI

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: 2/1/2023



Maui Hotel & Lodging
ASSOCIATION

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association

Senate Committee on Ways and Means

Senate Bill 1099: Relating to Taxation

February 28, 2023, 10:00 am

Conference Room 211

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry for Maui County. We represent over 180 property and allied business members and 22,000 employees. **MHLA supports Senate Bill 1099**, which 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.

MHLA supports affordable housing. This 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 upfront, and homebuyers would no longer see the costs of infrastructure passed on to them. 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.

Additionally, 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 these reasons stated above **MHLA supports Senate Bill 1099**.

Thank you for the opportunity to provide this testimony.

LATE



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
TUESDAY, FEBRUARY 28, 2023 AT 10:00 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the committee on Ways and Means

SUPPORT FOR SB1099 RELATING TO TAXATION

The Maui Chamber of Commerce would like testify in **support for SB1099** which 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; and allows the counties to use surcharge revenues for housing infrastructure, including roadways, water, and sewer.

The Chamber 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. As aging infrastructure remains an ongoing concern for the County of Maui, a county surcharge will provide funding to address upgrade and repairs to existing infrastructure.

Mahalo for the opportunity to offer testimony in **support of SB1099**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.