
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that, with Act 48,
2 Session Laws of Hawaii 2023, the legislature enabled all
3 counties to adopt county surcharges on certain state taxes for
4 the purpose of providing additional funding for transit or other
5 county-provided infrastructure. The additional revenue source
6 for counties was to correct lagging public investment in major
7 regional infrastructure systems and to address the effect of
8 high infrastructure costs on housing and development. The
9 county surcharge provides the counties with a much-needed
10 revenue source that can serve as a relief valve for upward
11 pressure on real property taxes that directly impact Hawaii
12 homeowners and renters.

13 The legislature finds that use of the county surcharges for
14 certain counties with populations equal to or less than five
15 hundred thousand people is limited to transit- and
16 transportation-related capital improvements and may not be used



1 for infrastructure to support housing in areas where the State
2 and counties plan public infrastructure investments.

3 The legislature further finds that a longer period for the
4 collection of county surcharges is needed to provide more
5 certainty and reliability as to county revenues for long-term
6 capital improvement programs and for debt payment on bonds
7 issued for regional infrastructure. Housing projects in areas
8 where the counties are able to invest in upfront regional
9 infrastructure are expected to benefit from a reduction in both
10 infrastructure costs and delays associated with the lack of
11 planned infrastructure capacity.

12 Accordingly, the purpose of the Act is to:

- 13 (1) Uniformly extend the period within which a county with
14 a population of five hundred thousand people or less
15 may collect a surcharge on state tax to December 31,
16 2047;
- 17 (2) Uniformly authorize each county with a population of
18 five hundred thousand people or less to use county
19 surcharge revenues for both housing and transportation
20 infrastructure; and



1 (3) Authorize cost-sharing with private or other public
2 developers for housing infrastructure projects funded
3 by surcharge revenues.

4 SECTION 2. Section 46-16.8, Hawaii Revised Statutes, is
5 amended as follows:

6 1. By amending subsections (c) and (d) to read:

7 "(c) Each county that has not established a surcharge
8 pursuant to subsection (a) on state tax before July 1, 2015, may
9 establish the surcharge at the rates enumerated in sections
10 237-8.6 and 238-2.6. A county electing to establish this
11 surcharge shall do so by ordinance; provided that:

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

14 (2) The ordinance shall be adopted before December 31,
15 2023; and

16 (3) No county surcharge on state tax that may be
17 authorized under this subsection shall be levied
18 before January 1, 2019, or after December 31, [~~2030.~~]
19 2047.

20 A county electing to exercise the authority granted under
21 this subsection shall notify the director of taxation within ten



1 days after the county has adopted a surcharge on state tax
2 ordinance. Beginning on January 1, 2019, January 1, 2020,
3 January 1, 2024, or January 1, 2025, as applicable pursuant to
4 sections 237-8.6 and 238-2.6, the director of taxation shall
5 levy, assess, collect, and otherwise administer the county
6 surcharge on state tax.

7 (d) Each county that has [~~established~~] adopted an
8 ordinance to establish a surcharge on state tax [~~before March~~
9 ~~31, 2019,~~] under subsection [~~(a) or~~] (c) may amend the surcharge
10 ordinance to change the authorized uses of surcharge revenues,
11 pursuant to subsection (g); provided that:

12 (1) No ordinance shall be amended pursuant to this section
13 until the county has conducted a public hearing on the
14 proposed amendment; and

15 (2) The ordinance shall be amended before December 31,
16 [~~2023.~~] 2026."

17 2. By amending subsections (g) and (h) to read:

18 "(g) Each county having a population equal to or less than
19 five hundred thousand that adopts a county surcharge on state
20 tax ordinance pursuant to this section or amends its surcharge



1 ordinance pursuant to subsection (d) shall use the surcharges
2 received from the State for:

3 (1) Operating or capital costs of public transportation
4 within each county for public transportation systems,
5 including:

6 (A) Public roadways or highways;

7 (B) Public buses;

8 (C) Trains;

9 (D) Ferries;

10 (E) Pedestrian paths or sidewalks; or

11 (F) Bicycle paths;

12 (2) Expenses in complying with the Americans with
13 Disabilities Act of 1990 with respect to
14 paragraph (1); and

15 (3) Housing infrastructure costs; provided that a county
16 that uses surcharge revenues for housing
17 infrastructure [~~shall not pass on those housing~~
18 ~~infrastructure costs to the developer of a housing~~
19 ~~project; provided further that this paragraph shall~~
20 ~~apply only if a county amended its surcharge ordinance~~
21 ~~pursuant to subsection (d) or adopts a county~~



1 ~~surcharge on state tax ordinance after December 31,~~
2 ~~2022;~~

3 ~~provided that each county having a population equal to or less~~
4 ~~than five hundred thousand that adopts a county surcharge on~~
5 ~~state tax ordinance pursuant to this section after December 31,~~
6 ~~2022, shall use the surcharge revenues received from the State~~
7 ~~only for the purposes described in paragraph (3) for county-~~
8 ~~appropriated housing infrastructure costs.] may establish a~~
9 means to cost-share all or a portion of the
10 infrastructure costs through contributions from
11 projects that are served by the infrastructure or
12 other private or public funding sources.

13 (h) As used in this section:

14 "Capital costs" means nonrecurring costs required to
15 construct a transit facility or system, including debt service,
16 costs of land acquisition and development, acquiring of
17 rights-of-way, planning, design, and construction, and including
18 equipping and furnishing the facility or system. For a county
19 with a population greater than five hundred thousand, capital
20 costs also include non-recurring personal services and other
21 overhead costs that are not intended to continue after



1 completion of construction of the minimum operable segment of
2 the locally preferred alternative for a mass transit project.

3 "Housing infrastructure costs" [~~includes pedestrian~~] means
4 nonrecurring costs, inclusive of financing costs, including any
5 related debt service and financing agreement costs, required to
6 construct:

7 (1) Pedestrian paths or sidewalks on a county road near or
8 around a public school [~~, and water,~~];

9 (2) Water, drainage, sewer, water reuse, waste disposal,
10 and waste treatment systems that connect to the
11 infrastructure of the county [~~and shall include~~
12 ~~financing costs, including any related debt service~~
13 ~~and financing agreement costs.]; and~~

14 (3) Electrical and communication system improvements
15 required for neighborhood redevelopment."

16 SECTION 3. Section 237-8.6, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:

18 "(b) Each county surcharge on state tax that may be
19 adopted, extended, or amended pursuant to section 46-16.8 shall
20 be levied beginning in a taxable year after the adoption of the



1 relevant county ordinance; provided that no surcharge on state
2 tax may be levied:

3 (1) Before:

4 (A) January 1, 2007, if the county surcharge on state
5 tax was established by an ordinance adopted
6 before December 31, 2005;

7 (B) January 1, 2019, if the county surcharge on state
8 tax was established by the adoption of an
9 ordinance after June 30, 2015, but before June
10 30, 2018;

11 (C) January 1, 2020, if the county surcharge on state
12 tax was established by the adoption of an
13 ordinance on or after June 30, 2018, but before
14 March 31, 2019;

15 (D) January 1, 2024, if the county surcharge on state
16 tax was established by the adoption of an
17 ordinance on or after March 31, 2019, but before
18 August 1, 2023; or

19 (E) January 1, 2025, if the county surcharge on state
20 tax was established by the adoption of an



1 ordinance on or after August 1, 2023, but before
2 December 31, 2023; and

3 (2) After December 31, [~~2030~~] 2047."

4 SECTION 4. Section 238-2.6, Hawaii Revised Statutes, is
5 amended by amending subsection (b) to read as follows:

6 "(b) Each county surcharge on state tax that may be
7 adopted, extended, or amended shall be levied beginning in a
8 taxable year after the adoption of the relevant county
9 ordinance; provided that no surcharge on state tax may be
10 levied:

11 (1) Before:

12 (A) January 1, 2007, if the county surcharge on state
13 tax was established by an ordinance adopted
14 before December 31, 2005;

15 (B) January 1, 2019, if the county surcharge on state
16 tax was established by the adoption of an
17 ordinance after June 30, 2015, but before
18 June 30, 2018;

19 (C) January 1, 2020, if the county surcharge on state
20 tax was established by the adoption of an



1 ordinance on or after June 30, 2018, but before
2 March 31, 2019;

3 (D) January 1, 2024, if the county surcharge on state
4 tax was established by the adoption of an
5 ordinance on or after March 31, 2019, but before
6 August 1, 2023; or

7 (E) January 1, 2025, if the county surcharge on state
8 tax was established by the adoption of an
9 ordinance on or after August 1, 2023, but before
10 December 31, 2023; and

11 (2) After December 31, [~~2030.~~] 2047."

12 SECTION 5. Act 247, Session Laws of Hawaii 2005, as
13 amended by section 7 of Act 240, Session Laws of Hawaii 2015, as
14 amended by section 6 of Act 1, First Special Session Laws of
15 Hawaii 2017, is amended by amending section 9 to read as
16 follows:

17 "SECTION 9. This Act shall take effect upon its approval;
18 provided that:

19 (1) If none of the counties of the State adopt an
20 ordinance to levy a county surcharge on state tax by
21 December 31, 2005, this Act shall be repealed and



1 section 437D-8.4, Hawaii Revised Statutes, shall be
2 reenacted in the form in which it read on the day
3 prior to the effective date of this Act;

4 (2) If any county does not adopt an ordinance to levy a
5 county surcharge on state tax by December 31, 2005, it
6 shall be prohibited from adopting such an ordinance
7 pursuant to this Act, unless otherwise authorized by
8 the legislature through a separate legislative act;
9 and

10 (3) If an ordinance to levy a county surcharge on state
11 tax is adopted by December 31, 2005:

12 (A) The ordinance shall be repealed on December 31,
13 2022; provided that the repeal of the ordinance
14 shall not affect the validity or effect of an
15 ordinance to extend a surcharge on state tax
16 adopted pursuant to an act of the legislature;
17 and

18 (B) This Act shall be repealed on December 31,
19 [~~2030~~] 2047, and section 437D-8.4, Hawaii
20 Revised Statutes, shall be reenacted in the form
21 in which it read on the day prior to the



1 effective date of this Act; provided that the
2 amendments made to section 437D-8.4, Hawaii
3 Revised Statutes, by Act 226, Session Laws of
4 Hawaii 2008, as amended by Act 11, Session Laws
5 of Hawaii 2009, and Act 110, Session Laws of
6 Hawaii 2014, shall not be repealed."

7 SECTION 6. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 7. This Act shall take effect upon its approval.



Report Title:

County Surcharge on State Tax; Regional Infrastructure

Description:

Authorizes the use of county surcharge revenues for transportation and housing infrastructure in counties having a population of 500,000 or less. Authorizes counties that have previously adopted a surcharge on state tax ordinance after July 1, 2015, to amend the uses of the surcharge. Extends the period within which a county with a population of 500,000 or less may collect a surcharge on state tax, under certain conditions, to 12/31/2047. Authorizes cost-sharing with private or other public developers for housing infrastructure projects funded by surcharge revenues. (SD1)

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

