

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
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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. 492, Relating to General Excise Tax

BEFORE THE:

House Committee on Energy and Intergovernmental Affairs

DATE: Tuesday, February 11, 2025

TIME: 3:20 p.m.

LOCATION: State Capitol, Room 016

Chair Wakai, Vice-Chair Chang, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 492 for your consideration.

S.B. 492 would extend the expiration date for county surcharges on State general excise taxes (GET) until December 31, 2045.

Section 2 of S.B. 492:

- Amends section 46-16.8(b) to extend authority to each county that established a GET surcharge before July 1, 2025, to extend the surcharge, at the same rate, from its current expiration date of December 31, 2030, to December 31, 2045.
- Amends section 46-16.8(b)(2) to require each county electing to extend the GET surcharge to do so by ordinance before January 1, 2028.
- Amends section 46-16.8(c)(3) to confirm that each county that had not established a GET surcharge before July 1, 2015, may establish the

surcharge at statutorily enumerated rates, subject to the extension of the expiration date from December 31, 2030, to December 31, 2045.

- Amends section 46-16.8(g)(3) to repeal the condition that counties other than the City and County of Honolulu¹ that adopted a GET surcharge after December 31, 2022, be required to use the surcharge funds for county appropriated housing infrastructure costs.

Section 3 of H.B. 492 amends section 237-8.6(b)(2) to confirm that no GET surcharge may be levied after December 31, 2045.

Section 4 of H.B. 492 amends Act 247, Session Laws of Hawaii, 2005, the Act 240 Session Law amendment of 2015, and the Act 1 Special Session Laws amendment of 2017, to conform the repeal date to December 31, 2045.

This measure takes effect upon approval.

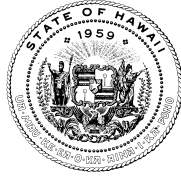
DOTAX would be able to administer the county surcharge to the extended date of December 31, 2045.

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

¹ Specifically, “each county with a population equal to or less than five hundred thousand[.]”

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia 'āina o ka Moku 'āina 'o
Hawaii 'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia 'āina o ka Moku 'āina
'o Hawaii 'i*



KALI WATSON
CHAIRPERSON, HHC
Ka Luma Ho 'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luma Ho 'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho 'opulapula Hawaii 'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON
ENERGY AND INTERGOVERNMENTAL AFFAIRS
HEARING ON FEBRUARY 11, 2025 AT 3:20PM IN CR 016

SB 492, RELATING TO GENERAL EXCISE TAX

February 10, 2025

Aloha Chair Wakai, Vice Chair Chang, and Members of the Committee:

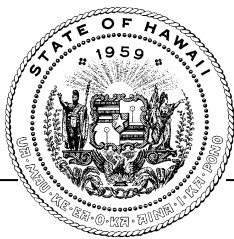
The Department of Hawaiian Home Lands (DHHL) **supports with amendments** this bill which 1) authorizes each county that has established a surcharge on state tax before 7/1/2015 to extend the surcharge until 12/31/2045, at the same rates, if the county does so before 1/1/2028; 2) provides that no county surcharge on state tax authorized for a county that has not established a surcharge on state tax before 7/1/2015, shall be levied before 1/1/2019, or after 12/31/2045; and 3) repeals certain conditions on the use of surcharges received from the State for counties having a population equal to or less than 500,000 that adopt a county surcharge on state tax.

On page 4, lines 6-8 of the bill, DHHL request to remove language that reads “shall not pass on those housing infrastructure costs to the developer of a housing project”. This bill language as written would preclude DHHL from being eligible to utilize those funds.

On page 4 of the bill, DHHL supports the noted removal of lines 8-18, because it would allow the City and County of Honolulu to be able to use the funds for housing projects.

DHHL also recommends adopting language from SB1333 that reads “may establish a means to cost-share all or a portion of the infrastructure costs through contributions from projects that are served by the infrastructure or other private or public funding sources.” and inserting it at the end of paragraph (3) on page 4 of SB492.

Thank you for your consideration of our testimony.



**STATE OF HAWAI'I
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
DIRECTOR

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Statement of
MARY ALICE EVANS, Director

before the
SENATE COMMITTEE ON ENERGY AND INTERGOVERNMENTAL AFFAIRS

Tuesday, February 11, 2025
3:20 PM
State Capitol, Conference Room 016

in consideration of
SB 492
RELATING TO GENERAL EXCISE TAX.

Chair Wakai, Vice Chair Chang, and Members of the Committee.

The Office of Planning and Sustainable Development (OPSD) **supports with comments**, SB 492, which would extend the county general excise tax (GET) surcharge authority until December 31, 2045. OPSD strongly supports measures that would extend—or even make permanent—the time in which the Counties could collect surcharge revenues to fund and finance the large upfront costs of major infrastructure projects, whether through the issuance of bonds or through annual County appropriations. OPSD prefers Administration bill, SB 1333, as the vehicle for this measure as it addresses some issues raised by SB 492 as written.

1. SB 492 proposes amendments to Hawai'i Revised Statutes (HRS) § 46-16.8(g) that would authorize the Counties to use the surcharge revenue for both housing-related and transportation infrastructure. We note for the Committee's consideration whether the deadline in HRS § 46-16.8(d)(2) for County adoption of ordinances amending the uses of surcharge revenues may need to be extended or repealed to allow for such an ordinance.
2. OPSD recommends the Counties be allowed a full 20-year period in which to collect GET surcharge revenues. The deadlines in SB 492 would result in a collection period of less than 20 years.
3. OPSD recommends consideration also be given to further amendment of subsection (g) to allow the Counties to cost-share the construction of public infrastructure for housing funded by the GET surcharge revenue, as is provided in Administration bill, SB 1333. This allows for the collection of fees or assessments to help lower the public cost of infrastructure funded by GET surcharge revenues, thereby leveraging GET surcharge revenues and increasing the impact of the GET surcharge in meeting infrastructure and housing needs.

The GET surcharge provides the Counties with a predictable and sustainable revenue source that can support timely investment in public infrastructure—a key need identified in OPSD’s *TOD Infrastructure Finance and Delivery Strategy* Study conducted pursuant to Act 88, Session Laws of Hawai‘i 2021. With the passage of SB 492 or similar measures, the GET surcharge can help fill this need and play a critical role in increasing the Counties’ capacity to fund or finance the public infrastructure investments needed to unlock housing production.

Thank you for the opportunity to testify on this measure.

OFFICE OF THE MAYOR

DEREK S.K. KAWAKAMI, MAYOR

REIKO MATSUYAMA, MANAGING DIRECTOR



Testimony of Derek S.K. Kawakami

Mayor, County of Kaua'i

Before the

Senate Committee on Energy and Intergovernmental Affairs

February 11, 2025; 3:20 PM

Conference Room 016 & Videoconference

In consideration of

Senate Bill 492 Relating to General Excise Tax

Honorable Chair Wakai, Vice Chair Chang, and Members of the Committee:

The County of Kaua'i is in **support** of SB 492 Relating to General Excise Tax which authorizes each county that has established a surcharge on state tax before 7/1/2015 to extend the surcharge until 12/31/2045, at the same rates, if the county does so before 1/1/2028; provides that no county surcharge on state tax authorized for a county that has not established a surcharge on state tax before 7/1/2015, shall be levied before 1/1/2019, or after 12/31/2045; and repeals certain conditions on the use of surcharges received from the State for counties having a population equal to or less than 500,000 that adopt a county surcharge on state tax.

We continue to extend our deepest gratitude to the legislature for allowing the County to control our own destiny using this revenue. The general excise surcharge has allowed Kaua'i County the ability to monumentally reinvest in aging infrastructure while creating jobs through the planning, consulting, engineering, and building industries.

The County of Kaua'i is responsible for the repair and maintenance of approximately 616 lane miles (308 centerline miles). From 2019-now, the majority of GET funds were used to resurface an average of 30 lane miles per year. At this pace, it will take roughly 20 years to complete every county-managed road. Subdivision roads generally need to be resurfaced every 20 years, and busier roads every 10 years. This demand initially set us behind schedule; however, since the inception of GET, we now have sufficient resources to sustain a road maintenance program and have significantly reduced the backlog of roads in poor-to-critical condition — those requiring full reconstruction — which are more costly and time-intensive to repair.

Additionally, our roadway maintenance items supported by the GET surcharge also includes 84 County bridges, stormwater sewer systems beneath our roadways, addressing erosion of roadway shoulders and embankment, and mitigating rockfall hazards.

We look forward to continuing the safety improvements to our roads for our residents and visitors that the extension of the GET surcharge will provide. Mahalo for the opportunity to testify in **support** of this measure, SB 492 Relating to General Excise Tax.

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
David M. Raatz, Jr., Esq.

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

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

February 10, 2025

TO: The Honorable Glenn Wakai, Chair
Senate Committee on Energy and Intergovernmental Affairs

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 11, 2025; TESTIMONY IN SUPPORT OF SB492, RELATING TO GENERAL EXCISE TAX**

I **support** this measure to allow counties to extend the surcharge on the State General Excise Tax to 2045 by ordinance adopted before January 1, 2028, and remove the limitation on the purposes for which surcharge revenue may be used.

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

1. The surcharge on the General Excise Tax has provided Maui County with a much-needed source of revenue to use for affordable housing and infrastructure.
2. Eliminating the restriction on the purposes for which the surcharge can be used will allow the County autonomy and flexibility to fund its greatest needs.
3. Extending the sunset date for the surcharge will provide Maui County with a continuing source of critical revenue, which will also help support recovery from the August 2023 wildfires.

Thank you for your consideration.

TO: Members of the Committee on Energy and Intergovernmental Affairs

FROM: Natalie Iwasa
808-395-3233

HEARING: 3:20 p.m. Tuesday, February 11, 2025

SUBJECT: SB492, General Excise Tax Surcharge (Extension) - **OPPOSED**

Aloha Chair Wakai and Committee Members,

Thank you for this opportunity to provide testimony on SB492, which would allow counties to extend the general excise tax (GET) surcharge from December 30, 2031, to December 31, 2045. My testimony is provided in my individual capacity and should not be interpreted to represent the position of HART.

I oppose any extension of the GET or TAT surcharges. Taxpayers were told the original surcharge would end in 2022. We have already had two extensions.

Food, rent and most medical services are subject to GET, and the surcharge hurts low-income people the most.

Please no more surcharge extensions. **Please vote “no” on SB492.**

SB-492

Submitted on: 2/9/2025 11:43:06 PM

Testimony for EIG on 2/11/2025 3:20:00 PM

Submitted By	Organization	Testifier Position	Testify
Jared Tsuchiyama	Individual	Support	Written Testimony Only

Comments:

I support this measure in that I believe that a general excise tax extension is necessary to improve public transportation on Oahu in how it relates to the mass transit fund. Being able to link Kapolei to the NASED project and Ala Moana and perhaps Central Oahu one day would be a major goal regarding how this relates to the mass transit fund. However while I understand how Act I and the Honolulu charter might make change difficult I believe that in how this surcharge relates to mass transit, infrastructure, and TOD building this may long term be a duty that is better handled by the state rather than the city and county especially in how it relates to beyond Civic Center station. This would allow better collaboration with HDOT and HHFDC in coordination of how TOD infrastructure is layed to avoid a situation today where Kalihi may have to deal with mutiple years of separate projects that are not coordinated. I support a tax that supports transit ,housing, and infrastructure, but I am somewhat skeptical if the city and counties long term are the best means toward implementing these goals.



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Kit Okimoto, Okimoto Corp., *Vice Chair*
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Lauren Zirbel, HFIA, *Executive Director*
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Derek Kurisu, KTA Superstores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Immediate Past Chair*

TO: Committee on Energy and Intergovernmental Affairs
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

LATE

DATE: February 11, 2025

TIME: 3:20pm

RE: SB492 Relating to General Excise Tax

Position: Comments

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA understands the intent of this measure and respectfully offers the following comments. HFIA believes that if the County Surcharge on the General Excise Tax is extended then groceries should be exempted from the Surcharge.

As the measure notes Counties are to use the Surcharge for “Operating or capital costs of public transportation within each county for public transportation systems, including: (A) Public roadways or highways; (B) Public buses; (C) Trains; (D) Ferries; (E) Pedestrian paths or sidewalks; or (F) Bicycle paths; (2) Expenses in complying with the Americans with Disabilities Act of 1990 with respect to paragraph (1); and (3) Housing infrastructure costs; provided that a county that uses surcharge revenues for housing infrastructure shall not pass on those housing infrastructure costs to the developer of a housing project.”

These are laudable uses and several of them provide the biggest benefit to lower income families. Taxing the sale of groceries is the opposite, it is regressive and disproportionately hurts lower income Hawaii families. To put it simply, taxing groceries to pay for public transport and housing is counterproductive.

We ask that this measure be amended to include an exemption from any future County Surcharges for the gross proceeds or gross income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program (SNAP) or Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), regardless of the means of purchase and the program eligibility of the purchaser.

We thank you for the opportunity to testify.

Feb. 12, 2025, 3:20 p.m.
Hawaii State Capitol
Conference Room 016 and Videoconference

To: Senate Committee on Energy and Intergovernmental Affairs
Sen. Glenn Wakai, Chair
Sen. Stanley Chang, Vice Chair

LATE

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: SB492 — RELATING TO THE GENERAL EXCISE TAX

Aloha Chair Wakai, Vice-Chair Chang and members of the Committee,

The Grassroot Institute of Hawaii **opposes** [SB492](#), which would allow Hawai'i, Maui and Kaua'i counties to use their excise tax surcharges for housing infrastructure.

It would also extend the expiration date of Honolulu's GET surcharge from Dec. 31, 2030 to Dec. 31, 2045 — stoking the well-known cynical view that there is no such thing as a temporary tax.

The context here is that the state allowed Honolulu to levy a 0.5% surcharge on the state's GET in 2005,¹ and it was supposed to sunset Dec. 31, 2022. But the 2017 Legislature extended that expiration date to Dec. 31, 2030.²

Now, SB1333 proposes to delay the sunset of that sunset to 2045 — 23 years after it was first set to expire.

A far better choice than what is being proposed in this bill would be to simply allow the county GET surcharges to lapse. Otherwise, what we would be doing is permanently increasing Hawaii's combined GET rate to 4.5%, despite the statements originally that it would fall back to 4% in 2031.

¹ James Mak, "[The Exorbitant Cost of Collecting Honolulu's Rail Surcharge Tax](#)," The Economic Research Organization at the University of Hawai'i, Feb. 2, 2017.

² "[Hawaii Gov. Ige signs bill to fund Honolulu's transit-rail project](#)," Progressive Railroading, Sept. 7, 2017.

In addition, the GET is widely recognized as being a regressive tax, which makes the idea of a permanent increase even more objectionable. Rhetoric notwithstanding, a “surcharge” is a tax hike, and a permanent increase in the GET would disproportionately affect Hawaii’s most economically disadvantaged residents.

According to the Institute on Taxation and Economic Policy, Hawaii’s GET falls most heavily on those least able to afford it and takes up an average of 11% of family income for the poorest 20% of earners.³

Please reject this “forever temporary tax” and defer SB492.

Thank you for the opportunity to testify.

Ted Kefalas
Director of strategic campaigns
Grassroot Institute of Hawaii

³ Meg Wiehe, et al., “[Who Pays? A Distributional Analysis of the Tax Systems in All 50 States](#),” Sixth Edition. Institute on Taxation and Economic Policy, October 2018, p.54.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE; Extension of County Surcharge on State Tax

BILL NUMBER: SB 492

INTRODUCED BY: RICHARDS, CHANG

LATE

EXECUTIVE SUMMARY: Authorizes each county that has established a surcharge on state tax before 7/1/2015 to extend the surcharge until 12/31/2045, at the same rates, if the county does so before 1/1/2028; Provides that no county surcharge on state tax authorized for a county that has not established a surcharge on state tax before 7/1/2015, shall be levied before 1/1/2019, or after 12/31/2045; and Repeals certain conditions on the use of surcharges received from the State for counties having a population equal to or less than 500,000 that adopt a county surcharge on state tax.

SYNOPSIS: Amends section 46-16.8(b), HRS, for counties establishing a surcharge before July 1, 2015, the surcharge is extended by 15 years from December 31, 2030 to December 31, 2045. A county electing to extend the surcharge shall do so by ordinance adopted before January 1, 2028 (previously January 1, 2018).

Amends section 46-16.8(c), HRS, for counties establishing a surcharge after July 1, 2015, may do so by ordinance provided the surcharge is levied before December 31, 2045 (previously December 31, 2030.)

Amends section 46-16.8(g), HRS for counties having a population equal or less than 500,000, removes the requirement to use the surcharges only for housing infrastructure (subparagraph (g)(3)).

Makes conforming amendments to the general excise tax provisions in section 247-8.6(b) to extend the sunset date of the surcharge from December 31, 2030 to December 31, 2045.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure extends the surcharge for an additional 15 years and removes the restriction for counties, other than the City & County of Honolulu, to use surcharges for only housing infrastructure.

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.

Act 48, SLH 2023, allowed counties with a population of less than 500,000 (namely, any county other than the City & County of Honolulu) to use county surcharge funds for housing infrastructure as well.

As originally enacted, the rail surcharge was scheduled to sunset on December 31, 2022. The surcharge authority was extended to December 31, 2027, by Act 240, Session Laws of Hawaii 2015, and was further extended to December 31, 2030, by Special Session Act 1, Session Laws of Hawaii 2017.

When the surcharge legislation was adopted back in 2006, taxpayers, especially those in Honolulu, were assured that the 0.5% surcharge was going to be temporary. And, as is now explicitly stated in HRS section 46-16.8. the funds were supposed to be paid to build the system and not go toward operations and maintenance (which are never-ending expenses).

The current bill extends the county surcharge authority for 15 more years, now that all of the counties have adopted the surcharge.

It seems that the idea of the county surcharge being temporary is going the way of the dodo bird and the saber-toothed tiger. Is there ever such a thing as a temporary tax? Take the transient accommodations tax as an example – it was touted as a temporary measure to raise funds to build the convention center. That was in 1986. It's now almost 40 years later, the convention center has been built, the tax rate is more than double what it was when first enacted, and the counties have been allowed to surcharge that tax too.

It is now apparent that voters across the state had been lied to when they were assured that the surcharge was to be temporary. This brings to mind the famous quote by Darth Vader in The Empire Strikes Back: "I am altering the deal. Pray I don't alter it any further."

Digested: 2/11/2025