

JAN 30 2026

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 Act 247, Session
2 Laws of Hawaii 2005, authorized the counties to adopt a
3 surcharge of up to one-half of one per cent on state tax to
4 support public transportation projects. The law has been
5 subsequently amended, including by Act 1, Special Session Laws
6 of Hawaii 2017, Act 11, Session Laws of Hawaii 2018, and Act 48,
7 Session Laws of Hawaii 2023, to extend the time period in which
8 a county may adopt and impose the surcharge on state tax. The
9 law currently authorizes a county that has previously adopted a
10 surcharge on state tax to extend the surcharge through December
11 31, 2030. The legislature concludes that it is appropriate to
12 authorize the counties to permanently adopt and impose a public
13 transportation surcharge, which shall be at the same rate of
14 one-half of one per cent after December 31, 2030; provided that
15 after December 31, 2030, the split or disbursement of this
16 surcharge between the State and the counties shall be one-fourth
17 of one per cent each with the State's share being reserved and



1 allocated to the med-QUEST division of the department of human
2 services, which administers the State's medicaid program.

3 The legislature further finds that a county with a
4 population greater than five hundred thousand is currently
5 restricted to using the surcharge revenues for capital costs of
6 mass transit projects while smaller counties may use their
7 surcharge for other purposes, including operational costs of
8 public transportation systems and housing infrastructure, costs,
9 and that the restrictions on the larger counties should be
10 amended to allow for wider use of the funds.

11 The purpose of this Act is to further amend the county
12 surcharge on state general excise and use taxes by:

13 (1) Authorizing a county with a pre-existing surcharge on
14 state general excise and use taxes to permanently
15 extend its surcharge to be imposed after December 31,
16 2030 at the same rate of one-half of one per cent;
17 provided that after December 31, 2030, the split or
18 disbursement of this surcharge between the State and
19 the counties shall be one-fourth of one per cent each
20 with the State's share being reserved and allocated to
21 the med-QUEST division of the department of human



1 services, which administers the State's medicaid
2 program; and
3 (2) For counties with a population greater than five
4 hundred thousand, authorizing use of surcharge
5 revenues for purposes other than capital costs of mass
6 transit systems, in alignment with smaller counties
7 that are not restricted to using those revenues only
8 for capital costs of public transportation.

9 SECTION 2. Section 40-81.5, Hawaii Revised Statutes, is
10 amended as follows:

11 1. By amending subsection (a) to read:
12 "(a) Beginning on September 5, 2017, ~~[and ending on~~
13 ~~December 31, 2031,]~~ the comptroller, upon the request for
14 payment by the rapid transportation authority, shall verify that
15 the authority's invoices for the ~~[capital]~~ costs of a locally
16 preferred alternative for a mass transit project comply with
17 section 46-16.8(f).

18 2. By amending subsection (c) to read:
19 "(c) After submission of invoices by the rapid
20 transportation authority for capital costs of a locally
21 preferred alternative for a mass transit project are verified by



1 the comptroller as an acceptable use of funds received pursuant
2 to a surcharge on state tax authorized pursuant to section 46-
3 16.8, the comptroller shall submit a certification statement,
4 including any appropriate supporting documents, to the
5 department of budget and finance for the allocation of funds, if
6 available, pursuant to sections 248-2.7 and 248-2.6(d). The
7 certification statement shall include, at a minimum, the total
8 amount contained in the invoices for [capital] costs that are
9 verified as an appropriate use of funds pursuant to section 46-
10 16.8(f)."

11 SECTION 3. Section 46-16.8, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§46-16.8 County surcharge on state tax.** (a) Each county
14 may establish a surcharge on state tax at the rates enumerated
15 in sections 237-8.6 and 238-2.6. A county electing to establish
16 this surcharge shall do so by ordinance; provided that:

17 (1) No ordinance shall be adopted until the county has
18 conducted a public hearing on the proposed ordinance;
19 (2) The ordinance shall be adopted before December 31,
20 2005; and

9 A county electing to exercise the authority granted under
10 this subsection shall notify the director of taxation within ten
11 days after the county has adopted a surcharge on state tax
12 ordinance and, beginning no earlier than January 1, 2007, the
13 director of taxation shall levy, assess, collect, and otherwise
14 administer the county surcharge on state tax.

15 (b) Each county that has established a surcharge on state
16 tax before July 1, 2015, under authority of subsection (a) may
17 extend the surcharge ~~until December 31, 2030,~~ at the ~~same~~
18 rates~~–~~ enumerated in sections 237-8.6 and 238-2.6. A county
19 electing to extend this surcharge shall do so by ordinance;
20 provided that~~–~~



6 A county electing to exercise the authority granted under
7 this subsection shall notify the director of taxation within ten
8 days after the county has adopted an ordinance extending the
9 surcharge on state tax. The director of taxation shall levy,
10 assess, collect, and otherwise administer the extended surcharge
11 on state tax.

12 (c) Each county that has not established a surcharge
13 pursuant to subsection (a) on state tax before July 1, 2015, may
14 establish the surcharge at the rates enumerated in sections 237-
15 8.6 and 238-2.6. A county electing to establish this surcharge
16 shall do so by ordinance; provided that:

17 (1) No ordinance shall be adopted until the county has
18 conducted a public hearing on the proposed ordinance;
19 (2) The ordinance shall be adopted before December 31,
20 2023; and

4 A county electing to exercise the authority granted under
5 this subsection shall notify the director of taxation within ten
6 days after the county has adopted a surcharge on state tax
7 ordinance. Beginning on January 1, 2019, January 1, 2020,
8 January 1, 2024, or January 1, 2025, as applicable pursuant to
9 sections 237-8.6 and 238-2.6, the director of taxation shall
10 levy, assess, collect, and otherwise administer the county
11 surcharge on state tax.

12 (d) Each county that has established a surcharge on state
13 tax before March 31, 2019, under subsection (a) or (c) may amend
14 the surcharge ordinance to change the authorized uses of
15 surcharge revenues, pursuant to subsection ~~(g)~~ (h); provided
16 that:

17 (1) No ordinance shall be amended pursuant to this section
18 until the county has conducted a public hearing on the
19 proposed amendment; and
20 (2) The ordinance shall be amended before December 31,
21 2023.

7 (f) Each county with a population greater than five
8 hundred thousand that adopts [or extends] a county surcharge on
9 state tax ordinance pursuant to subsection (a) [or (b)] shall
10 use the surcharge revenues received from the State before
11 January 1, 2031, for [capital]:

12 (1) Capital, operating, or maintenance costs of a locally
13 preferred alternative for a mass transit project; and
14 (2) Expenses in complying with the Americans with
15 Disabilities Act of 1990 with respect to paragraph
16 (1);

17 provided that revenues derived from the county surcharge on
18 state tax shall not be used[÷]

19 (1) To] to build or repair public roads or highways,
20 bicycle paths, or support public transportation
21 systems already in existence before July 12, 200



1 (2) For operating costs or maintenance costs of the mass
2 transit project or any purpose not consistent with
3 this subsection; or
4 (3) For administrative or operating, marketing, or
5 maintenance costs, including personnel costs, of a
6 rapid transportation authority charged with the
7 responsibility for constructing, operating, or
8 maintaining the mass transit project;]
9 provided further that nothing in this section shall be construed
10 to prohibit a county from using county funds that are not
11 derived from a surcharge on state tax for [a purpose described
12 in paragraph (2) or (3).] the prohibited purposes immediately
13 described above.

14 (g) Each county with a population greater than five
15 hundred thousand that extends a county surcharge on state tax
16 ordinance pursuant to subsection (b) beyond December 31, 2030,
17 shall use the surcharge revenues received from the State after
18 December 31, 2030, for:

19 (1) Capital, operating, or maintenance costs of a locally
20 preferred alternative for a mass transit project;



1 (2) Expenses in complying with the Americans with
2 Disabilities Act of 1990 with respect to paragraph
3 (1);
4 (3) Building or repairing public roads or highways,
5 bicycle paths, or support public transportation
6 systems already in existence before July 12, 2005;
7 (4) Operating costs or maintenance costs of a mass transit
8 project;
9 (5) Administrative or operating, marketing, or maintenance
10 costs, including personnel costs, of a rapid
11 transportation authority charged with the
12 responsibility for constructing, operating, or
13 maintaining a mass transit project; and
14 (6) Any other uses as allowed for smaller counties as
15 described in subsection (h);
16 provided that the split or disbursement of this surcharge
17 between the State and the counties shall be one-fourth of one
18 per cent each with the State's share being reserved and
19 allocated to the State's med-QUEST division of the department of
20 human services.



1 [~~g~~] (h) Each county having a population equal to or less
2 than five hundred thousand that adopts a county surcharge on
3 state tax ordinance pursuant to this section shall use the
4 surcharges received from the State for:

5 (1) [~~Operating or capital~~] Capital, operating, or
6 maintenance costs of public transportation within each
7 county for public transportation systems, including:
8 (A) Public roadways or highways;
9 (B) Public buses;
10 (C) Trains;
11 (D) Ferries;
12 (E) Pedestrian paths or sidewalks; or
13 (F) Bicycle paths;
14 (2) Expenses in complying with the Americans with
15 Disabilities Act of 1990 with respect to paragraph
16 (1); and
17 (3) Housing infrastructure costs; provided that a county
18 that uses surcharge revenues for housing
19 infrastructure shall not pass on those housing
20 infrastructure costs to the developer of a housing
21 project; provided further that this paragraph shall



1 apply only if a county amended its surcharge ordinance
2 pursuant to subsection (d) or adopts a county
3 surcharge on state tax ordinance after December 31,
4 2022;
5 provided that each county having a population equal to or less
6 than five hundred thousand that adopts a county surcharge on
7 state tax ordinance pursuant to this section after December 31,
8 2022, shall use the surcharge revenues received from the State
9 only for the purposes described in paragraph (3) for county-
10 appropriated housing infrastructure costs.

11 [~~(h)~~] (i) As used in this section:

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



1 "Housing infrastructure costs" includes pedestrian paths or
2 sidewalks on a county road near or around a public school, and
3 water, drainage, sewer, water reuse, waste disposal, and waste
4 treatment systems that connect to the infrastructure of the
5 county and shall include financing costs, including any related
6 debt service and financing agreement costs."

7 SECTION 4. Section 237-8.6, Hawaii Revised Statutes, is
8 amended by amending subsections (a) and (b) to read as follows:

9 "(a) The county surcharge on state tax, upon the adoption
10 of county ordinances and in accordance with the requirements of
11 section 46-16.8, shall be levied, assessed, and collected as
12 provided in this section on all gross proceeds and gross income
13 taxable under this chapter. No county shall set the surcharge
14 on state tax to be levied, assessed, or collected at a rate
15 greater than one-half of one per cent of all gross proceeds and
16 gross income taxable under this chapter[.]; provided that after
17 December 31, 2030, the split or disbursement of this surcharge
18 between the State and the counties shall be one-fourth of one
19 per cent each with the State's share being reserved and
20 allocated to the med-QUEST division of the department of human
21 services. All provisions of this chapter shall apply to the



1 county surcharge on state tax. With respect to the surcharge,
2 the director of taxation shall have all the rights and powers
3 provided under this chapter. In addition, the director of
4 taxation shall have the exclusive rights and power to determine
5 the county or counties in which a person is engaged in business
6 and, in the case of a person engaged in business in more than
7 one county, the director shall determine, through apportionment
8 or other means, that portion of the surcharge on state tax
9 attributable to business conducted in each county.

10 (b) Each county surcharge on state tax that may be
11 adopted, extended, or amended pursuant to section 46-16.8 shall
12 be levied beginning in a taxable year after the adoption of the
13 relevant county ordinance; provided that no surcharge on state
14 tax may be levied[+]

15 ~~(1)~~ Before:

16 ~~(A)~~ before:

17 (1) January 1, 2007, if the county surcharge on state tax
18 was established by an ordinance adopted before
19 December 31, 2005;

20 ~~(B)~~ (2) January 1, 2019, if the county surcharge on
21 state tax was established by the adoption of an



1 ordinance after June 30, 2015, but before June 30,
2 2018;

3 [+] (3) January 1, 2020, if the county surcharge on
4 state tax was established by the adoption of an
5 ordinance on or after June 30, 2018, but before March
6 31, 2019;

7 [+] (4) January 1, 2024, if the county surcharge on
8 state tax was established by the adoption of an
9 ordinance on or after March 31, 2019, but before
10 August 1, 2023; or

11 [+] (5) January 1, 2025, if the county surcharge on
12 state tax was established by the adoption of an
13 ordinance on or after August 1, 2023, but before
14 December 31, 2023[; and

15 ~~(2) After December 31, 2030].~~"

16 SECTION 5. Section 238-2.6, Hawaii Revised Statutes, is
17 amended by amending subsections (a) and (b) to read as follows:
18 "(a) The county surcharge on state tax, upon the adoption
19 of a county ordinance and in accordance with the requirements of
20 section 46-16.8, shall be levied, assessed, and collected as
21 provided in this section on the value of property and services

1 taxable under this chapter. No county shall set the surcharge
2 on state tax to be levied, assessed, or collected at a rate
3 greater than one-half of one per cent of the value of property
4 taxable under this chapter[.]; provided that after December 31,
5 2030, the split or disbursement of this surcharge between the
6 State and the counties shall be one-fourth of one per cent each
7 with the State's share being reserved and allocated to the med-
8 QUEST division of the department of human services. All
9 provisions of this chapter shall apply to the county surcharge
10 on state tax. With respect to the surcharge, the director shall
11 have all the rights and powers provided under this chapter. In
12 addition, the director of taxation shall have the exclusive
13 rights and power to determine the county or counties in which a
14 person imports or purchases property and, in the case of a
15 person importing or purchasing property in more than one county,
16 the director shall determine, through apportionment or other
17 means, that portion of the surcharge on state tax attributable
18 to the importation or purchase in each county.

19 (b) Each county surcharge on state tax that may be
20 adopted, extended, or amended shall be levied beginning in a
21 taxable year after the adoption of the relevant county



1 ordinance; provided that no surcharge on state tax may be
2 levied[~~;~~

3 (1) Before:

4 [~~A~~] before:

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

8 [~~B~~] (2) January 1, 2019, if the county surcharge on
9 state tax was established by the adoption of an
10 ordinance after June 30, 2015, but before June 30,
11 2018;

12 [~~C~~] (3) January 1, 2020, if the county surcharge on
13 state tax was established by the adoption of an
14 ordinance on or after June 30, 2018, but before March
15 31, 2019;

16 [~~D~~] (4) January 1, 2024, if the county surcharge on
17 state tax was established by the adoption of an
18 ordinance on or after March 31, 2019, but before
19 August 1, 2023; or

20 [~~E~~] (5) January 1, 2025, if the county surcharge on
21 state 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]."~~

4 SECTION 6. Section 248-2.7, Hawaii Revised Statutes, is
5 amended by amending subsections (b) and (c) to read as follows:

6 "(b) ~~[For the period beginning]~~ Beginning on January 1,
7 2018, ~~[to December 31, 2030,]~~ transient accommodations tax and
8 surcharge on state tax revenues allocated to the mass transit
9 special fund pursuant to sections 237D-2(e) and 248-2.6 shall be
10 deposited into the special fund. All interest earned on the
11 moneys in the special fund shall be credited to the general
12 fund. The mass transit special fund shall be exempt from the
13 central service expenses deduction under section 36-27 and
14 departmental administrative expenses deduction under section 36-
15 30.

16 (c) Upon receiving a certification statement from the
17 comptroller pursuant to section 40-81.5, the director of finance
18 shall allocate and disburse moneys in the mass transit special
19 fund to the director of finance of a county with a population
20 greater than five hundred thousand; provided that the director
21 of finance shall only disburse those amounts that are certified



1 in the certification statement for that county for the purposes
2 specified in section 46-16.8; [provided further that revenues
3 allocated from the special fund shall not be used for:

4 (1) Operating or maintenance costs of the mass transit
5 project or any purpose not consistent with section 46-
6 16.8 (f); or
7 (2) Administrative, operating, marketing, or maintenance
8 costs, including personnel costs, of a rapid
9 transportation authority charged with the
10 responsibility for constructing, operating, or
11 maintaining the mass transit project;]

12 provided further that the total amount of funds that are
13 available, allocated, and disbursed by the director of finance
14 pursuant to this section shall not be in excess of the total
15 amount indicated on the certification statement. The director
16 of finance may allocate and disburse moneys pursuant to this
17 section on a monthly basis.

18 Any amounts allocated and disbursed pursuant to this
19 section shall be subject to the availability of funds deposited
20 and on balance in the special fund. The director of finance
21 shall not allocate or disburse any amounts from the special fund



1 that are in excess of any amounts deposited and on balance in
2 the special fund."

3 SECTION 7. Act 247, Session Laws of Hawaii 2005, as
4 amended by Act 240, Session Laws of Hawaii 2015, as amended by
5 Act 1, Special Session of 2017, is amended by amending section 9
6 to read as follows:

7 "SECTION 9. This Act shall take effect upon its approval[~~†~~
8 ~~provided that:~~

9 ~~(1) If none of the counties of the State adopt an
10 ordinance to levy a county surcharge on state tax by
11 December 31, 2005, this Act shall be repealed and
12 section 437D-8.4, Hawaii Revised Statutes, shall be
13 reenacted in the form in which it read on the day
14 prior to the effective date of this Act;~~
15 ~~(2) If any county does not adopt an ordinance to levy a
16 county surcharge on state tax by December 31, 2005, it
17 shall be prohibited from adopting such an ordinance
18 pursuant to this Act, unless otherwise authorized by
19 the legislature through a separate legislative act;~~
20 and



1 (3) ~~If an ordinance to levy a county surcharge on state~~
2 ~~tax is adopted by December 31, 2005:~~
3 (A) ~~The ordinance shall be repealed on December 31,~~
4 ~~2022; provided that the repeal of the ordinance~~
5 ~~shall not affect the validity or effect of an~~
6 ~~ordinance to extend a surcharge on state tax~~
7 ~~adopted pursuant to an act of the legislature;~~
8 and
9 (B) ~~This Act shall be repealed on December 31, 2030,~~
10 ~~and section 437D-8.4, Hawaii Revised Statutes,~~
11 ~~shall be reenacted in the form in which it read~~
12 ~~on the day prior to the effective date of this~~
13 ~~Act; provided that the amendments made to section~~
14 ~~437D-8.4, Hawaii Revised Statutes, by Act 226,~~
15 ~~Session Laws of Hawaii 2008, as amended by Act~~
16 ~~11, Session Laws of Hawaii 2009, and Act 110,~~
17 ~~Session Laws of Hawaii 2014, shall not be~~
18 ~~repealed].~~"

19 SECTION 8. This Act shall not affect the validity or
20 effect of any surcharge on state tax adopted pursuant to
21 Act 247, Session Laws of Hawaii 2005; Act 240, Session Laws of



1 Hawaii 2015; Act 137, Session Laws of Hawaii 2017; Act 1,
2 Special Session Laws of Hawaii 2017; Act 11, Session Laws of
3 Hawaii 2018; and Act 48, Session Laws of Hawaii 2023, prior to
4 the effective date of this Act.

5 SECTION 9. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 10. This Act shall take effect on July 1, 2026.

8

INTRODUCED BY: Karl Rhoads



S.B. NO. 3293

Report Title:

General Excise Tax; County Surcharge; Tax Assessment; Use

Description:

Authorizes a county with a pre-existing surcharge to continue the surcharge after December 31, 2030, at the same rate of 0.5 per cent; provided that after December 31, 2030, the split or disbursement of this surcharge between the State and the counties shall be 0.25 per cent each with the State's share being reserved and allocated to the Med-QUEST division of the Department of Human Services. Expands the authorized use of surcharge revenues to more than capital costs of a locally preferred alternative for a mass transit project for counties with a population greater than five hundred thousand.

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

