
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 the department of
2 education faces educational infrastructural issues caused by
3 overcapacity and underfunding, while the highways division of
4 the department of transportation faces a threat of inundation
5 and damage to the state highway system caused by climate change
6 as well as transportation infrastructural issues related to
7 overcapacity and underfunding. The legislature also finds that
8 certain state funds will need an additional, temporary source of
9 moneys in the future.

10 The purpose of this Act is to:

11 (1) Permanently direct specified percentages of general
12 excise tax revenues to a new educational
13 infrastructure special fund for the department of
14 education and other entities responsible for school
15 facilities to strengthen its infrastructure and to the
16 department of transportation for the costs of
17 protecting the state highway system from the threat of



1 damage caused by climate change and to strengthen its
2 infrastructure;

3 (2) Establish a temporary state improvement surcharge on
4 the general excise tax and use tax; and

5 (3) Direct specified percentages of state improvement
6 surcharge revenues to the purposes in paragraph (1)
7 and to the compound interest bond reserve fund, the
8 hurricane reserve fund, and the separate trust fund
9 established under section 87A-42.

10 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
11 amended by adding a new section to be appropriately designated
12 and to read as follows:

13 "§237- State improvement surcharge. (a) From
14 January 1, 2031, to December 31, 2035, a state improvement
15 surcharge shall be levied, assessed, and collected as provided
16 in this section on all gross proceeds and gross income taxable
17 under this chapter. The state improvement surcharge shall be
18 set at a rate equal to one-half per cent of all gross proceeds
19 and gross income taxable under this chapter. All provisions of
20 this chapter shall apply to the state improvement surcharge.

1 With respect to the surcharge, the director of taxation shall
2 have all the rights and powers provided under this chapter.

3 (b) The state improvement surcharge shall be imposed on
4 the gross proceeds or gross income of all written contracts that
5 require the passing on of the taxes imposed under this chapter;
6 provided that if the gross proceeds or gross income are received
7 as payments beginning in the taxable year in which the taxes
8 become effective, on contracts entered into before June 30 of
9 the year prior to the taxable year in which the taxes become
10 effective, and the written contracts do not provide for the
11 passing on of increased rates of taxes, the state improvement
12 surcharge shall not be imposed on the gross proceeds or gross
13 income covered under the written contracts. The state
14 improvement surcharge shall be imposed on the gross proceeds or
15 gross income from all contracts entered into on or after June 30
16 of the year prior to the taxable year in which the taxes become
17 effective, regardless of whether the contract allows for the
18 passing on of any tax or any tax increases.

19 (c) No state improvement surcharge shall be established on
20 any:



- 1 (1) Gross income or gross proceeds taxable under this
2 chapter at the one-half per cent tax rate;
- 3 (2) Gross income or gross proceeds taxable under this
4 chapter at the 0.15 per cent tax rate; or
- 5 (3) Transactions, amounts, persons, gross income, or gross
6 proceeds exempt from tax under this chapter.
- 7 (d) The director of taxation shall revise the general
8 excise tax forms to provide for the clear and separate
9 designation of the imposition and payment of the state
10 improvement surcharge.
- 11 (e) All taxpayers who file on a fiscal year basis whose
12 fiscal year ends after December 31 of the year prior to the
13 taxable year in which the taxes become effective, shall file a
14 short period annual return for the period preceding January 1 of
15 the taxable year in which the taxes become effective. Each
16 fiscal year taxpayer shall also file a short period annual
17 return for the period starting on January 1 of the taxable year
18 in which the taxes become effective and ending before January 1
19 of the following year."



1 SECTION 3. Chapter 238, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§238- State improvement surcharge. (a) From
5 January 1, 2031, to December 31, 2035, a state improvement
6 surcharge shall be levied, assessed, and collected as provided
7 in this section on the value of property and services taxable
8 under this chapter. The state improvement surcharge shall be
9 set at a rate equal to one-half per cent of the value of
10 property taxable under this chapter. All provisions of this
11 chapter shall apply to the state improvement surcharge. With
12 respect to the surcharge, the director of taxation shall have
13 all the rights and powers provided under this chapter.

14 (b) No state improvement surcharge shall be established
15 upon any use taxable under this chapter at the one-half per cent
16 tax rate or upon any use that is not subject to taxation or that
17 is exempt from taxation under this chapter.

18 (c) The director of taxation shall revise the use tax
19 forms to provide for the clear and separate designation of the
20 imposition and payment of the state improvement surcharge.



1 (d) All taxpayers who file on a fiscal year basis whose
2 fiscal year ends after December 31 of the year prior to the
3 taxable year in which the taxes become effective, shall file a
4 short period annual return for the period preceding January 1 of
5 the taxable year in which the taxes become effective. Each
6 fiscal year taxpayer shall also file a short period annual
7 return for the period starting on January 1 of the taxable year
8 in which the taxes become effective and ending before January 1
9 of the following year."

10 SECTION 4. Chapter 302A, Hawaii Revised Statutes, is
11 amended by adding a new section to be appropriately designated
12 and to read as follows:

13 "§302A- Educational infrastructure special fund. There
14 is established within the state treasury a special fund, into
15 which shall be deposited all revenues collected pursuant to
16 sections 237-31(a)(4) and 238-14(b)(4). Moneys deposited into
17 this fund shall be expended for the purposes of the department
18 of education or any other entity responsible for school
19 facilities to augment the capacity and infrastructure of its
20 facilities and programs."



1 SECTION 5. Section 237-31, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§237-31 Remittances. (a) All remittances of taxes
4 imposed by this chapter shall be made by money, bank draft,
5 check, cashier's check, money order, or certificate of deposit
6 to the office of the department of taxation to which the return
7 was transmitted. The department shall issue its receipts
8 therefor to the taxpayer and, except for moneys collected
9 pursuant to section 237- , shall pay the moneys into the state
10 treasury as a state realization, to be kept and accounted for as
11 provided by law; provided that:

- 12 (1) A sum, not to exceed \$5,000,000, from all general
13 excise tax revenues realized by the State shall be
14 deposited in the state treasury in each fiscal year to
15 the credit of the compound interest bond reserve fund;
- 16 (2) A sum from all general excise tax revenues realized by
17 the State that is equal to one-half of the total
18 amount of funds appropriated or transferred out of the
19 hurricane reserve trust fund under sections 4 and 5 of
20 Act 62, Session Laws of Hawaii 2011, shall be
21 deposited into the hurricane reserve trust fund in



1 fiscal year 2013-2014 and in fiscal year 2014-2015;
2 provided that the deposit required in each fiscal year
3 shall be made by October 1 of that fiscal year; ~~and~~
4 ~~+] (3) [+~~ Commencing with fiscal year 2018-2019, a sum from
5 all general excise tax revenues realized by the State
6 that represents the difference between the state
7 public employer's annual required contribution for the
8 separate trust fund established under section 87A-42
9 and the amount of the state public employer's
10 contributions into that trust fund shall be deposited
11 to the credit of the State's annual required
12 contribution into that trust fund in each fiscal year,
13 as provided in section 87A-42 ~~[-]~~;

14 (4) A sum equal to 0.25 per cent of all general excise tax
15 revenues realized by the State shall be deposited into
16 the educational infrastructure special fund
17 established in section 302A- for the department of
18 education or any other entity responsible for school
19 facilities to augment the capacity and infrastructure
20 of its facilities and programs; and



1 (5) A sum equal to 0.25 per cent of all general excise tax
2 revenues realized by the State shall be deposited into
3 the state highway fund established in section 248-8 to
4 protect the state highway system from the threat of
5 inundation and damage caused by climate change and to
6 augment the capacity and infrastructure of the State's
7 highways.

8 (b) State improvement surcharge revenues realized by the
9 State, that were levied, assessed, or collected from January 1,
10 2031, to December 31, 2035, pursuant to section 237- shall be
11 distributed as follows:

12 (1) Twenty per cent shall be allocated to the compound
13 interest bond reserve fund;

14 (2) Twenty per cent shall be allocated to the hurricane
15 reserve trust fund;

16 (3) Twenty per cent shall be allocated to the separate
17 trust fund established under section 87A-42;

18 (4) Twenty per cent shall be allocated to the educational
19 infrastructure special fund established pursuant to
20 section 302A- ; and



1 (5) Twenty per cent shall be allocated to the state
2 highway fund established in section 248-8 to protect
3 the state highway system from the threat of inundation
4 and damage caused by climate change and to augment the
5 capacity and infrastructure of the State's highways."

6 SECTION 6. Section 238-14, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§238-14 Taxes state realizations.** (a) All taxes
9 collected under this chapter shall be state realizations.

10 (b) State improvement surcharge revenues realized by the
11 State that were levied, assessed, or collected from January 1,
12 2031, to December 31, 2035, pursuant to section 238- shall be
13 distributed as follows:

14 (1) Twenty per cent shall be allocated to the compound
15 interest bond reserve fund;

16 (2) Twenty per cent shall be allocated to the hurricane
17 reserve trust fund;

18 (3) Twenty per cent shall be allocated to the separate
19 trust fund established under section 87A-42;



1 (4) Twenty per cent shall be allocated to the educational
2 infrastructure special fund established pursuant to
3 section 302A- ; and

4 (5) Twenty per cent shall be allocated to the state
5 highway fund established in section 248-8 to protect
6 the state highway system from the threat of inundation
7 and damage caused by climate change and to augment the
8 capacity and infrastructure of the State's highways."

9 SECTION 7. Section 248-9, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) Moneys in the state highway fund may be expended for
12 the following purposes:

13 (1) To pay the costs of operation, maintenance, and repair
14 of the state highway system, including without
15 limitation, the cost of equipment and general
16 administrative overhead;

17 (2) To pay the costs of acquisition (including real
18 property and interests therein), planning, designing,
19 construction, and reconstruction of the state highway
20 system and bikeways, including, without limitation,



- 1 the cost of equipment and general administrative
2 overhead;
- 3 (3) To reimburse the general fund for interest on and
4 principal of general obligation bonds issued to
5 finance highway projects where the bonds are
6 designated to be reimbursable out of the state highway
7 fund; [~~and~~]
- 8 (4) To pay the costs of construction, maintenance, and
9 repair of county roads; provided that none of the
10 funds expended on a county road or program shall be
11 federal funds when such expenditure would cause a
12 violation of federal law or a federal grant
13 agreement [~~-~~]; and
- 14 (5) To pay the costs of protecting the state highway
15 system from the threat of inundation and damage caused
16 by climate change and to augment the capacity and
17 infrastructure of the State's highways."

18 SECTION 8. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 9. This Act shall take effect on July 1, 2050.



Report Title:

General Excise Tax; Use Tax; DOE; DOT; State Improvement
Surcharge

Description:

Permanently directs specified percentages of the general excise tax revenues to a new educational infrastructure special fund for the department of education and other entities responsible for school facilities to augment its capacity and infrastructure and to the department of transportation to protect the state highway system from the threat of inundation and damage caused by climate change and to augment the capacity and infrastructure of the State's highways. Directs specified percentages of revenues from a new, temporary state improvement surcharge to the foregoing purposes and to certain state funds. Takes effect on 7/1/2050. (HD2)

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

