

PRESS CONFERENCE: October 21, 2015, 10:00 AM

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Lawsuit Challenges 10% Skimmed by State from Honolulu Rail Surcharge

HONOLULU, HAWAII—October 21, 2015—The Tax Foundation of Hawaii, a nonprofit taxpayer watchdog organization, has filed suit against the State of Hawaii to halt the State’s practice of skimming tens of millions of dollars each year from the amounts collected for the Oahu rail surcharge. The lawsuit alleges that although the law authorizing the diversion allows the State to retain the costs of administering the surcharge, the amount actually taken is many times those costs, amounting to a hidden State tax unwittingly paid by Oahu residents and businesses.

**According to Tom Yamachika, President of the Tax Foundation of Hawaii:
“Although public opinion on the rail project is divided, this lawsuit is not about whether the rail project is good or bad. We on Oahu pay an extra 0.5% surcharge on most of the things we buy, and think that the money is going to rail. In fact, over \$160 million to date has been kept in the State general fund, and is spent on everything but rail. The law says that this money is supposed to pay for the costs of administering and collecting the tax, but not a penny of it was ever designated or set aside for either of the departments involved, and the total amount grossly exceeded those costs. We know this because in multiple years, the amount of the diversion was comparable to, or exceeded, the *entire* budget of the Department of Taxation.**

“You may remember that in this past legislative session, the City & County of Honolulu was begging for an extension of the surcharge because it wasn’t getting the money it needed, and it ultimately received approval for a five year extension. If this diversion is not stopped, we will be seeing more and longer requests for extension, to the detriment of taxpayers.”

A copy of the complaint is available on the Tax Foundation of Hawaii website.

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For more information, please contact the Tax Foundation of Hawaii at (808) 536-4587 or email tfh@tfhawaii.org.

About the Tax Foundation of Hawaii:

The Tax Foundation of Hawaii, a private nonprofit, nonpartisan, educational organization has, for the past 60 years, encouraged efficiency and economy in government and has promoted an equitable tax system that encourages and maintains economic growth and stability in Hawaii. Read more about us at <http://www.tfhawaii.org>.