## 2015 TAX ACTS

### 2015 Administrative Proposals

<table>
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<th>Dept/No.</th>
<th>Description</th>
<th>Senate</th>
<th>House</th>
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<tr>
<td>TAX-01</td>
<td>INCOME - Annual conformity measure that would update references to the federal Code in subtitle A of Chapter 1 as of 12/31/14. SD-1 would make IRC section 529A operable for state income tax purposes.</td>
<td>1133, HD-1</td>
<td>Act 52</td>
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<tr>
<td>TAX-02</td>
<td>ESTATE AND GENERATION-SKIPPING TRANSFER - Updates references to the federal code and makes technical nonsubstantive changes to HRS chapter 236E as of 12/31/14.</td>
<td>1134 Act 23</td>
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<tr>
<td>TAX-03</td>
<td>GENERAL EXCISE - Adds the phrase &quot;as such&quot; which was inadvertently omitted. HD-1 makes it retroactive to tax years beginning after 12/31/11.</td>
<td>966, HD-1</td>
<td>Act 18</td>
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<tr>
<td>TAX-07</td>
<td>INCOME - Update references to a taxpayer who is a &quot;dependent,&quot; &quot;a corporation,&quot; or &quot;estate or trust&quot; as a result of federal law changes relating to vocational rehabilitation referrals.</td>
<td>1136, HD-1</td>
<td>Act 53</td>
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<td>BUF-22</td>
<td>MISCELLANEOUS - Implements state auditor’s report on repeal or reclassification of non-general funds.</td>
<td>1092, HD-1</td>
<td>Act 237</td>
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<td>CCA-11</td>
<td>MISCELLANEOUS - Provides that amounts collected from electric utility customers by electric utilities for the repayment of on-bill obligations shall not be considered revenue of the electric utilities and not be subject to state or county taxes, including the general excise tax, the public service company tax, the public utility fee, and the public utility franchise tax.</td>
<td>1096, CD-1</td>
<td>Act 201</td>
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### Legislative Tax Proposals

<table>
<thead>
<tr>
<th>TAX</th>
<th>Bill No.</th>
<th>Description</th>
<th>Status</th>
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<tr>
<td>ADMIN./ APPEALS</td>
<td>SB 92, CD-1</td>
<td>Requires the department of taxation (DOTAX) to publish reports on income patterns, tax credits, and general excise tax exemptions. Also requires the department to report on the status of the implementation of its tax system modernization project prior to 12/31/2015.</td>
<td>Act 94</td>
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<tr>
<td>INCOME</td>
<td>SB 118, CD-1</td>
<td>Requires a study to be conducted by the department of business, economic development and tourism (DBEDT) and the DOTAX relating to the deductions for dividends paid by real estate investment trusts.</td>
<td>Act 239</td>
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<td>SB 349, CD-1</td>
<td>Replaces the ethanol facility tax credit with a renewable fuels production tax credit. The annual dollar amount of the credit shall be 20 cents per 76,000 British thermal units (BTU) of renewable fuels using the lower heating value produced for distribution in Hawaii; provided that the production by the facility is not less than 15 billion BTUs of renewable fuels per year. Limits the amount of tax credit that may be claimed by a taxpayer to $3 million per taxable year. Provides that the credit shall sunset on 6/30/20.</td>
<td>Veto</td>
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<td>SB 555, CD-1</td>
<td>Increases the refundable food/excise tax credit and provides that single taxpayers with AGI over $30,000 shall not be eligible for the credit. Establishes separate amounts of credit for taxpayers who are heads of households, married individuals filing separate returns and married</td>
<td>Act 223</td>
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<td>HB 1140, CD-1</td>
<td>Establishes a nonrefundable income tax credit for the conversion or hookup of a cesspool to a septic system or sewer system. Provides that the credit may be up to qualified expenses of up to $10,000, establishes an aggregate limit on the amount of credit that may be issued to $5 million for all taxpayers in a taxable year, and requires the department of health to certify cesspools eligible for the credit.</td>
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<td>GENERAL EXCISE SB 971, CD-1</td>
<td>Requires a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the HHFDC as a qualification for the tax exemption as follows: (1) for moderate rehabilitation projects, a minimum term of five years; (2) for substantial rehabilitation projects, a minimum term of ten years; and (3) for new construction projects, a minimum term of thirty years from the date of the certificate of occupancy. This measure is applicable to projects certified after 6/30/15.</td>
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<td>SB 1212, SD-1</td>
<td>Repeals obsolete sections of the general excise and public service company tax laws that were enacted to reduce the pyramiding effect of the general excise tax by providing that these transactions are taxed at the wholesale rate of 0.5%. To minimize the revenue loss, these sections provided a gradual phase-in of the rates wherein the final rate was 0.5% over a period of years.</td>
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<td>TAT SB 284, CD-1</td>
<td>Provides that $1.5 million annually in TAT revenues shall be allocated to the Turtle Bay conservation easement special fund beginning on 7/1/15 for the reimbursement to the state general fund of debt service on reimbursable general obligation bonds, until the bonds are fully amortized. Repeals the existing allocation of TAT revenues to the conservation easement special fund.</td>
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<td>HB 169, CD-1</td>
<td>Provides that the TAT rate on resort time share vacation units shall be by 7.25% until 12/31/15; 8.25% between 1/1/16 and 12/31/16; and 9.25% on 1/1/17 and thereafter.</td>
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<td>HB 444, CD-1</td>
<td>Provides that of the existing $3 million in TAT revenues designated to the DLNR and board of the Hawaii tourism authority shall be allocated to the special land and development fund and may be used for beach maintenance and restoration.</td>
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<td>PUBLIC SERVICE COMPANY SB 1212, SD-1</td>
<td>Repeals obsolete sections of the general excise and public service company tax laws that were enacted to reduce the pyramiding effect of the general excise tax by providing that these transactions are taxed at the wholesale rate of 0.5%. To minimize the revenue loss, these sections provided a gradual phase-in of the rates wherein the final rate was 0.5% over a period of years.</td>
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<td>FUEL SB 359, CD-1</td>
<td>Provides that the environmental response, energy, and food security tax shall also be imposed on fossil fuels other than petroleum products based on each one million British thermal units (BTU); excludes coal used to fulfill a signed power purchase agreement in effect on June 30, 2015. Clarifies the purposes for which the monies in the environmental response revolving fund may be used. Transfers environmental response revolving funds in excess of $1,250,000 at the end of a fiscal year to the general fund.</td>
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<td><strong>Tobacco</strong></td>
<td>SB 1297, CD-1</td>
<td>Provides that after July 1, 2015: (1) 2.0 cents per cigarette shall continue to be deposited into the Hawaii cancer research special fund; (2) 1.125 cents per cigarette, but not more than $7.4 million in a fiscal year shall be deposited into the trauma system special fund; (3) 1.25 cents per cigarette but not more than $8.8 million in each fiscal year shall be deposited into the community health centers special fund; and (4) 1.25 cents but not more than $8.8 million shall be deposited into the emergency medical services special fund.</td>
<td>Act 238</td>
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<td><strong>Conveyance</strong></td>
<td>SB 1299, CD-1</td>
<td>Provides that conveyance tax revenue shall be distributed in each fiscal year as follows: (1) ten percent or $6.8 million, whichever is less, shall be paid into the land conservation fund; (2) fifty percent or $38 million, whichever is less, shall be paid into the rental housing trust fund; and (3) repeal the distribution to the natural area reserve fund. Appropriates general funds on 7/1/15 for fiscal 2016 and fiscal 2017 for various program areas previously funded by conveyance tax revenues.</td>
<td>Act 84</td>
</tr>
<tr>
<td><strong>Motor Vehicle</strong></td>
<td>HB 1153, CD-1</td>
<td>Provides that disabled veterans (except those dishonorably discharged) shall be exempt from the state motor vehicle registration fee provided the exemption shall not apply to commercial vehicles and be applicable to only one motor vehicle for vehicles registered or renewed after 1/1/16.</td>
<td>Act 128</td>
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<tr>
<td><strong>Misc.</strong></td>
<td>SB 159, HD-1</td>
<td>Repeals various non-general funds and accounts and lapses the unencumbered balances to the general fund.</td>
<td>Act 147</td>
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<td>SB 160, CD-1</td>
<td>Implements the state auditor’s recommendations to repeal and reclassify non-general funds of the University of Hawaii.</td>
<td>Act 106</td>
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<td>HB 78</td>
<td>Reclassifies the accrued vacation and sick leave fund as a trust fund, in accordance with the State Auditor’s recommendations.</td>
<td>Act 10</td>
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<td>HB 134, CD-1</td>
<td>Allows a county that has established a surcharge on state tax to extend the surcharge from 1/1/2023 to 12/31/2027 at the same rate; provided that the county electing to extend this surcharge shall do so by ordinance and such ordinance is adopted prior to 7/1/2016, but no earlier than 7/1/2015. Allows a county that has not established a surcharge on state tax before the effective date of this act to establish a surcharge on state tax by ordinance adopted prior to 7/1/2016, but no earlier than 7/1/2015; provides that any county surcharge on state tax authorized by ordinance shall be levied between 1/1/2018 and 12/31/2027. If the surcharge is extended or another county imposes a surcharge, the surcharge revenue shall be only used for capital costs of public transportation. Amends the definition of “public lands” to include air rights over any portion of state land on which a county mass transit project is developed after July 11, 2005.</td>
<td>Act 240</td>
</tr>
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<td>HB 707, CD-1</td>
<td>Repeals and abolishes non-general funds of the departments of defense and land and natural resources.</td>
<td>Act 144</td>
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<td>HB 1325, SD-1</td>
<td>Allows the counties to establish and charge user fees to create and maintain any stormwater management system or infrastructure.</td>
<td>Act 42</td>
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</tbody>
</table>
The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 210  
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 20, 2015, the following bill was signed into law:

SB 1133 SD1 HD1  
RELATING TO CONFORMITY OF THE HAWAII  
INCOME TAX LAW TO THE INTERNAL  
REVENUE CODE  
ACT 052 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

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

SECTION 1. The purpose of this Act is to conform Hawaii income tax law to the Internal Revenue Code.

SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) For all taxable years beginning after December 31, 2014, as used in this chapter, except as provided in section 235-2.35, "Internal Revenue Code" means subtitle A, chapter 1, of the federal Internal Revenue Code of 1986, as amended as of December 31, 2014, as it applies to the determination of gross income, adjusted gross income, ordinary income and loss, and taxable income, except those provisions of the Internal Revenue Code and federal public laws which, pursuant to this chapter, do not apply or are otherwise limited in application and except for the provisions of Public Law 109-001, which apply to section 170 of the Internal Revenue Code. The provisions of Public Law 109-001 to accelerate the deduction
for charitable cash contributions for the relief of victims of
the 2004 Indian Ocean tsunami are applicable for the calendar
year that ended December 31, 2004, and the calendar year ending
December 31, 2005.

Sections 235-2, 235-2.1, and 235-2.2 shall continue to be
used to determine:

(1) The basis of property, if a taxpayer first determined
the basis of property in a taxable year to which these
sections apply, and if the determination was made
before January 1, 1978; and

(2) Gross income, adjusted gross income, ordinary income
and loss, and taxable income for a taxable year to
which these sections apply where the taxable year
begins before January 1, 1978."

SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
amended to read as follows:

"§235-2.4 Operation of certain Internal Revenue Code
provisions; sections 63 to 530. (a) Section 63 (with respect
to taxable income defined) of the Internal Revenue Code shall be
operative for the purposes of this chapter, subject to the
following:
Section 63(c)(1)(B) (relating to the additional standard deduction), 63(c)(1)(C) (relating to the real property tax deduction), 63(c)(1)(D) (relating to the disaster loss deduction), 63(c)(1)(E) (relating to the motor vehicle sales tax deduction), 63(c)(4) (relating to inflation adjustments), 63(c)(7) (defining the real property tax deduction), 63(c)(8) (defining the disaster loss deduction), 63(c)(9) (defining the motor vehicle sales tax deduction), and 63(f) (relating to additional amounts for the aged or blind) of the Internal Revenue Code shall not be operative for purposes of this chapter;

Section 63(c)(2) (relating to the basic standard deduction) of the Internal Revenue Code shall be operative, except that the standard deduction amounts provided therein shall instead mean:

(A) $4,400 in the case of:

(i) A joint return as provided by section 235-93; or

(ii) A surviving spouse (as defined in section 2(a) of the Internal Revenue Code);
(B) $3,212 in the case of a head of household (as defined in section 2(b) of the Internal Revenue Code);

(C) $2,200 in the case of an individual who is not married and who is not a surviving spouse or head of household; or

(D) $2,200 in the case of a married individual filing a separate return;

(3) Section 63(c)(5) (limiting the basic standard deduction in the case of certain dependents) of the Internal Revenue Code shall be operative, except that the limitation shall be the greater of $500 or the individual's earned income; and

(4) The standard deduction amount for nonresidents shall be calculated pursuant to section 235-5.

(b) Section 68 (with respect to the overall limitation on itemized deductions) of the Internal Revenue Code shall be operative; provided that the thresholds shall be those that were operative for federal tax year 2009.

(c) Section 72 (with respect to annuities; certain proceeds of endowment and life insurance contracts) of the
Internal Revenue Code shall be operative for purposes of this chapter and be interpreted with due regard to section 235-7(a), except that the ten per cent additional tax on early distributions from retirement plans in section 72(t) shall not be operative for purposes of this chapter.

(d) Section 85 (with respect to unemployment compensation) of the Internal Revenue Code shall be operative for purposes of this chapter, except that section 85(c) shall not be operative for purposes of this chapter.

(e) Section 108 (with respect to income from discharge of indebtedness) of the Internal Revenue Code shall be operative for purposes of this chapter, except that section 108(i) (relating to deferral and ratable inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument) shall not be operative for purposes of this chapter.

(f) Section 121 (with respect to exclusion of gain from sale of principal residence) of the Internal Revenue Code shall be operative for purposes of this chapter, except that for the election under section 121(f), a reference to section 1034
treatment means a reference to section 235-2.4(s) in effect for taxable year 1997.

(g) Section 132 (with respect to certain fringe benefits) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the provision in section 132(f)(2) that equalizes the dollar amounts for sections 132(f)(2)(A) and (B) shall not be operative and except that section 132(n) shall not apply to United States Department of Defense Homeowners Assistance Program payments authorized by the American Recovery and Reinvestment Act of 2009.

(h) Section 163 (with respect to interest) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that provisions in section 163(d)(4)(B) (defining net investment income to exclude dividends), section 163(e)(5)(F) (suspension of applicable high-yield discount obligation (AHYDO) rules) and section 163(i)(1) as it applies to debt instruments issued after January 1, 2010, (defining AHYDO) shall not be operative for the purposes of this chapter.

(i) Section 164 (with respect to taxes) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that:
(1) Section 164(a)(6) and (b)(6) shall not be operative for the purposes of this chapter;

(2) The deductions under section 164(a)(3) and (b)(5) shall not be operative for corporate taxpayers and shall be operative only for the following individual taxpayers:

(A) A taxpayer filing a single return or a married person filing separately with a federal adjusted gross income of less than $100,000;

(B) A taxpayer filing as a head of household with a federal adjusted gross income of less than $150,000; and

(C) A taxpayer filing a joint return or as a surviving spouse with a federal adjusted gross income of less than $200,000; and

(3) Section 164(a)(3) shall not be operative for any amounts for which the credit under section 235-55 has been claimed.

(j) Section 165 (with respect to losses) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the amount prescribed by sections 165(h)(1)
(relating to the limitation per casualty) of the Internal Revenue Code shall be a $100 limitation per casualty, and section 165(h)(3)(A) and (B) (both of which relate to special rules for personal casualty gains and losses in federally declared disasters) of the Internal Revenue Code shall not be operative for the purposes of this chapter. Section 165 as operative for this chapter shall also apply to losses sustained from the sale of stocks or other interests issued through the exercise of the stock options or warrants granted by a qualified high technology business as defined in section 235-7.3.

(k) Section 168 (with respect to the accelerated cost recovery system) of the Internal Revenue Code shall be operative for purposes of this chapter, except that sections 168(j) (relating to property on Indian reservations), 168(k) (relating to the special allowance for certain property acquired during the period specified therein), 168(m) (relating to the special allowance for certain reuse and recycling property), and 168(n) (relating to the special allowance for qualified disaster assistance property) of the Internal Revenue Code shall not be operative for purposes of this chapter.
(1) Section 172 (with respect to net operating loss deductions) of the Internal Revenue Code shall be operative for purposes of this chapter, as further provided in section 235-7(d), except that section 172(b)(1)(J) and (j) (both of which relate to qualified disaster losses) of the Internal Revenue Code shall not be operative for purposes of this chapter.

(m) Section 179 (with respect to the election to expense certain depreciable business assets) of the Internal Revenue Code shall be operative for purposes of this chapter, except as provided in this subsection:

(1) The aggregate cost provided in section 179(b)(1) which may be taken into account under section 179(a) for any taxable year shall not exceed $25,000;

(2) The amount at which the reduction in limitation provided in section 179(b)(2) begins shall exceed $200,000 for any taxable year; and

(3) The following shall not be operative for purposes of this chapter:

(A) Defining section 179 property to include computer software in section 179(d)(1);

(B) Inflation adjustments in section 179(b)(5);
(C) Irrevocable election in section 179(c)(2); and

(D) Special rules for qualified disaster assistance property in section 179(e).

(n) Section 198A (with respect to the expensing of qualified disaster assistance expenses) of the Internal Revenue Code shall not be operative for purposes of this chapter.

(o) Section 219 (with respect to retirement savings) of the Internal Revenue Code shall be operative for the purpose of this chapter. For the purpose of computing the limitation on the deduction for active participants in certain pension plans for state income tax purposes, adjusted gross income as used in section 219 as operative for this chapter means federal adjusted gross income.

(p) Section 220 (with respect to medical savings accounts) of the Internal Revenue Code shall be operative for the purpose of this chapter, but only with respect to medical services accounts that have been approved by the Secretary of the Treasury of the United States.

(q) Section 265 (with respect to expenses and interest relating to tax-exempt income) of the Internal Revenue Code shall be operative for purposes of this chapter; except that
section 265(b)(3)(G) and (7) shall not be operative and section 265 shall not apply to expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business as defined in section 235-7.3. Such expenses shall be deductible.

(r) Section 382 (with respect to limitation on net operating loss carryforwards and certain built-in losses following ownership change) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that section 382(n) shall not be operative for purposes of this chapter.

(s) Section 408A (with respect to Roth Individual Retirement Accounts) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that section 408A(d)(3)(A)(iii) shall not be operative for purposes of this chapter. For the purposes of determining the aggregate amount of contributions to a Roth Individual Retirement Account or qualified rollover contribution to a Roth Individual Retirement Account from an individual retirement plan other than a Roth Individual Retirement Account, adjusted gross income as used in
section 408A as operative for this chapter means federal
adjusted gross income.

(t) In administering the provisions of sections 410 to 417
(with respect to special rules relating to pensions, profit
sharing, stock bonus plans, etc.), sections 418 to 418E (with
respect to special rules for multiemployer plans), and sections
419 and 419A (with respect to treatment of welfare benefit
funds) of the Internal Revenue Code, the department of taxation
shall adopt rules under chapter 91 relating to the specific
requirements under those sections and to other administrative
requirements under those sections as may be necessary for the
efficient administration of sections 410 to 419A.

In administering sections 401 to 419A (with respect to
deferred compensation) of the Internal Revenue Code, Public Law
93-406, section 1017(i), shall be operative for the purposes of
this chapter.

In administering section 402 (with respect to the
taxability of beneficiary of employees' trust) of the Internal
Revenue Code, the tax imposed on lump sum distributions by
section 402(e) of the Internal Revenue Code shall be operative
for the purposes of this chapter and the tax imposed therein is
hereby imposed by this chapter at the rate determined under this chapter.

(u) In administering section 403 (with respect to taxation of employee annuities) of the Internal Revenue Code, any funds that represent pre-tax employee deferrals or contributions that are distributed from the annuity and used solely to obtain retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 403(b)(8)(A) of the Internal Revenue Code, and those funds shall be subject to income tax under this chapter.

(v) Section 451 (which provides general rules for taxable year of inclusion) of the Internal Revenue Code shall be operative, except that the provisions of sections 451(i)(3) and 451(i)(6), as they relate to a qualified electric utility, shall not be operative for purposes of this chapter.

(w) In administering section 457 (with respect to compensation plans of state and local governments and tax-exempt organizations) of the Internal Revenue Code, any funds that represent pre-tax employee deferrals or contributions that are distributed from the deferred compensation plan and used solely to obtain retirement credits under the state employees'
retirement system shall not be treated as a rollover for purposes of section 457(e)(16)(A) of the Internal Revenue Code and those funds shall be subject to income tax under this chapter.

(x) Section 468B (with respect to special rules for designated settlement funds) of the Internal Revenue Code shall be operative for the purposes of this chapter and the tax imposed therein is hereby imposed by this chapter at a rate equal to the maximum rate in effect for the taxable year imposed on estates and trusts under section 235-51.

(y) Section 469 (with respect to passive activities and credits limited) of the Internal Revenue Code shall be operative for the purposes of this chapter. For the purpose of computing the offset for rental real estate activities for state income tax purposes, adjusted gross income as used in section 469 as operative for this chapter means federal adjusted gross income.

(z) Sections 512 to 514 (with respect to taxation of business income of certain exempt organizations) of the Internal Revenue Code shall be operative for the purposes of this chapter as provided in this subsection.
"Unrelated business taxable income" means the same as in the Internal Revenue Code, except that in the computation thereof sections 235-3 to 235-5, and 235-7 (except subsection (c)), shall apply, and in the determination of the net operating loss deduction there shall not be taken into account any amount of income or deduction that is excluded in computing the unrelated business taxable income. Unrelated business taxable income shall not include any income from a legal service plan.

For a person described in section 401 or 501 of the Internal Revenue Code, as modified by section 235-2.3, the tax imposed by section 235-51 or 235-71 shall be imposed upon the person's unrelated business taxable income.

(aa) Section 521 (with respect to cooperatives) and subchapter T (sections 1381 to 1388, with respect to cooperatives and their patrons) of the Internal Revenue Code shall be operative for the purposes of this chapter as to any cooperative fully meeting the requirements of section 421-23, except that Internal Revenue Code section 521 cooperatives need not be organized in Hawaii.

(bb) Sections 527 (with respect to political organizations) and 528 (with respect to certain homeowners
associations) of the Internal Revenue Code shall be operative
for the purposes of this chapter and the taxes imposed in each
section are hereby imposed by this chapter at the rates
determined under section 235-71.

(cc) Section 529 (with respect to qualified tuition
programs) shall be operative for the purposes of this chapter,
except that sections 529(c)(6) and 529(e)(3)(A)(iii) shall not
be operative.

(dd) Section 529A (with respect to qualified ABLE
programs) shall be operative for the purposes of this chapter,
except that section 529A(c)(3) (with respect to additional tax
for distributions not used for disability expenses) shall not be
operative.

(ee) Section 530 (with respect to Coverdell
education savings accounts) of the Internal Revenue Code shall
be operative for the purposes of this chapter. For the purpose
of determining the maximum amount that a contributor could make
to an education individual retirement account for state income
tax purposes, modified adjusted gross income as used in section
530 as operative for this chapter means federal modified
adjusted gross income as defined in section 530."
SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2014.

APPROVED this 20 day of MAY, 2015

Aand Y. ige
GOVERNOR OF THE STATE OF HAWAII
April 23, 2015

The Honorable Donna Mercado Kim, President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker and Members of the House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on April 23, 2015, the following bill was signed into law:

HB966 HD1 RELATING TO SECTION 237-23, HAWAII REVISED STATUTES
ACT 018 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO SECTION 237-23, HAWAII REVISED STATUTES.

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

SECTION 1. Section 237-23, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The exemptions enumerated in subsection (a)(3) to (7) shall apply only:

(1) To those persons who shall have registered with the department of taxation by filing a written application for registration in such form as the department shall prescribe, shall have paid the registration fee of $20, and shall have had the exemption allowed by the department or by a court or tribunal of competent jurisdiction upon appeal from any assessment resulting from disallowance of the exemption by the department;

(2) To activities from which no profit inures to the benefit of any private stockholder or individual, except for death or other benefits to the members of fraternal societies; and

HB966 HD1 HMS 2015-1822
(3) To the fraternal, religious, charitable, scientific, educational, communal, or social welfare activities of such persons, or to the activities of hospitals, infirmaries, sanitariums, and potable water companies, as such, and not to any activity the primary purpose of which is to produce income even though the income is to be used for or in furtherance of the exempt activities of such persons."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall take effect retroactively to taxable years beginning after December 31, 2011.

APPROVED this 23 day of APR, 2015

GOVERNOR OF THE STATE OF HAWAII
May 1, 2015

The Honorable Donna Mercado Kim, 
President 
and Members of the Senate 
Twenty-Eighth State Legislature 
State Capitol, Room 409 
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, 
Speaker and Members of the 
House of Representatives 
Twenty-Eighth State Legislature 
State Capitol, Room 431 
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 1, 2015, the following bill was signed into law:

SB1134 RELATING TO THE ESTATE AND GENERATION-SKIPPING TRANSFER TAXES 
ACT 023 (15)

Sincerely,

DAVID Y. IGE 
Governor, State of Hawaii
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. Act 220, Session Laws of Hawaii 2012, enacted the Estate and Generation-Skipping Transfer Tax Reform Act, designated as chapter 236E, Hawaii Revised Statutes, which established the estate and generation skipping transfer taxes based on the valuations, deduction, and expenses allowed for federal transfer tax purposes but with tax rates independent of the federal transfer taxes. The purposes of this Act are (1) to make adopt operative Internal Revenue Code sections as of December 31, 2014, and (2) to make technical nonsubstantive changes to ensure uniformity throughout.

SECTION 2. Section 236E-3, Hawaii Revised Statutes, is amended to read as follows:

"§236E-3 Conformance to the Internal Revenue Code; general application. For all decedents dying after January 25, 2012, as used in this chapter, "Internal Revenue Code" means subtitle B of the federal Internal Revenue Code of 1986, as amended as of December 31, [2013] 2014, as it applies to the determination of gross estate, adjusted gross estate, federal taxable estate, and..."
1 generation-skipping transfers, except those provisions of the Internal Revenue Code and federal public laws that, pursuant to this chapter, do not apply or are otherwise limited in application."

SECTION 3. Section 236E-4, Hawaii Revised Statutes, is amended to read as follows:

"§236E-4 Administration, adoption, and interrelationship of Internal Revenue Code and federal public laws with this chapter. (a) Reference in provisions of the Internal Revenue Code that are operative in this State to provisions in the Internal Revenue Code that are not operative in this State shall be considered inoperative for the purposes of determining the gross estate, federal taxable estate, and generation-skipping transfers; provided that:

(1) References to time limits and other administrative provisions in subtitle F (sections 6001 to 7874) of the Internal Revenue Code contained in operative sections of the Internal Revenue Code shall be deemed references to applicable provisions of this chapter or chapter 231 or 232, and in the absence of applicable provisions in this chapter or chapter 231 or 232, then to rules adopted by the director of taxation under subsection (b);
(2) If inoperative provisions of the Internal Revenue Code have been codified in this chapter, the references shall be deemed references to the codified provisions in this chapter. Transitory and savings provisions in federal public laws amending sections of the Internal Revenue Code operative in this chapter shall be operative for the purposes of this chapter. Provisions in this chapter or chapter 231 or 232 in conflict with the Internal Revenue Code or transitory or savings provisions in federal public law shall control; and

(3) Retroactive and prospective provisions in federal public laws amending sections of the Internal Revenue Code operative in this chapter affecting taxable years beginning or ending before the December 31, 2011 date in section 236E-3 shall be operative for the purposes of this chapter.

(b) The director of taxation may adopt the rules and regulations promulgated by the United States Secretary of Treasury or a delegate of the Secretary relating to the provisions of subtitle B of the Internal Revenue Code operative in this chapter and any administrative provisions of subtitle F, sections 6001 to 7874, of the Internal Revenue Code not in
conflict with or similar to provisions contained in this chapter or chapter 231 or 232 either by reference or by setting them forth in full; provided that any rule adopted pursuant to this subsection shall be adopted pursuant to chapter 91.

(c) The department shall submit to the legislature, no later than twenty days prior to the convening of each regular session, proposed legislation to amend section 236E-3 and any other sections and subsections of this chapter as may be necessary to adopt the Internal Revenue Code as it exists on [January 2, 2013.] the December 31 preceding the regular session. In submitting the proposed legislation, the department may provide that certain amendments made to the Internal Revenue Code by Congress during the preceding calendar year shall not be operative in this State or shall be limited in their operation. The department shall also prepare a digest and explanation of the amended provisions of the Internal Revenue Code recommended for operation, as well as those provisions that are recommended to be limited in their operation, or that are not recommended for operation, and shall submit with the proposed legislation required by this subsection the digest, explanation, and a statement of revenue impact of the adoption of the proposed legislation. In preparing the proposed legislation, digest, and
explanation, the department may request the assistance of the legislative reference bureau.

It is the intent of the legislature to adopt all amendments made to the Internal Revenue Code during the calendar year preceding each regular session; provided that the legislature may choose to adopt none of the amendments to the Internal Revenue Code or may provide that certain amendments are limited in their operation.

All provisions of the Internal Revenue Code referred to in this chapter that apply to a husband and wife, spouses, or persons in a legal marital relationship shall be deemed to apply in this chapter to partners in a civil union with the same force and effect as if they were "husband and wife", "spouses", or other terms that describe persons in a legal marital relationship."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act, upon its approval, shall apply to decedents dying or taxable transfers occurring after December 31, 2014.

APPROVED this 1 day of MAY, 2015.

GOVERNOR OF THE STATE OF HAWAII
May 20, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 210  
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 20, 2015, the following bill was signed into law:

SB1136 HD1 RELATING TO SECTION 235-55.91, HAWAII REVISED STATUTES ACT 053 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i
A BILL FOR AN ACT

RELATING TO SECTION 235-55.91, HAWAII REVISED STATUTES.

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

SECTION 1. Section 235-55.91, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) The following wages paid to vocational rehabilitation referrals are ineligible to be claimed by the employer for this credit:

(1) No wages shall be taken into account under this section with respect to a vocational rehabilitation referral who:

(A) Bears any of the relationships described in section [152(a)(1) to (8)] 152(d)(2)(A) to (G) of the Internal Revenue Code to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than fifty per cent in value of the outstanding stock of the corporation (determined with the application of section 267(c) of the Internal Revenue Code);"
(B) If the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in section 152(a)-(l) to 152(d)(2)(A) to (G) of the Internal Revenue Code to a grantor, beneficiary, or fiduciary of the estate or trust; or

(C) Is a dependent (described in section 152(a)-9) 152(d)(2)(H) of the Internal Revenue Code) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

(2) No wages shall be taken into account under this section with respect to any vocational rehabilitation referral if, prior to the hiring date of the individual, the individual had been employed by the employer at any time during which the individual was not a vocational rehabilitation referral.
(3) No wages shall be taken into account under this section with respect to any vocational rehabilitation referral unless such individual either:

(A) Is employed by the employer at least ninety days;

or

(B) Has completed at least one hundred-twenty hours of services performed for the employer."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.
Jul 14, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker  
and Members of the House  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

Re: SB1092 SDI HD1

SB1092 SD1 HD1, entitled “A BILL FOR AN ACT RELATING TO THE REPEAL OF NON-GENERAL FUNDS” will become law without my signature, pursuant to Article III, Section 16 of the State Constitution.

This measure repeals or reclassifies various non-general funds and lapses the unencumbered remaining balances to the credit of the general fund. While I support the intent of the measure to streamline unused or inactive non-general funds, the reclassification of non-general funds violates the single subject requirement of Article III, Section 14 of the State Constitution.

Article III, Section 14 of the State Constitution states, in relevant part, that “Each law shall embrace but one subject, which shall be expressed in its title.” Thus, a bill that addresses subjects outside of its title violates the provision.

The title of this bill is “Relating to the Repeal of Non-General Funds,” which meets the single subject requirement, but several sections in the body of the legislation seek to reclassify, not repeal the non-general funds, which becomes a violation of single subject requirement.
For the reasons stated above, SB1092 SD1 HD1 will become law as ACT 237 (15), Session laws of Hawaii 2015, effective July 14, 2015, without my signature.

Sincerely,

 DAVID Y. IGE
GOVERNOR

Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE REPEAL OF NON-GENERAL FUNDS.

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

PART I

SECTION 1. The purpose of this Act is to repeal or reclassify various non-general funds in accordance with the Auditor's recommendations in Auditor's Report Nos. 14-05 and 14-13.

PART II

SECTION 2. The purpose of this part is to repeal the pineapple workers and retirees housing assistance fund. The legislature finds that the fund is no longer necessary. It has had no balance or activity in recent years.

SECTION 3. Section 201H-85, Hawaii Revised Statutes, is repealed.

["{§201H-85}—Pineapple-workers-and-retirees-housing assistance-fund; established. (a) There is established in the state treasury the pineapple workers and retirees housing assistance fund to provide mortgage payments or rent subsidies for eligible Del Monte Fresh Produce pineapple workers and..."]
retirees and their families who are displaced or affected by the
closure of Del-Monte Fresh Produce. The pineapple workers and
retirees housing assistance fund shall be administered by the
corporation.
(b) Moneys appropriated for the purposes of this section
shall be deposited into the pineapple workers and retirees
housing assistance fund, provided that, upon fulfillment of the
purposes of this section, all unencumbered moneys shall lapse
into the general fund. The corporation shall establish
guidelines with respect to eligible Del-Monte Fresh Produce
pineapple workers and retirees and mortgage payments or rental
assistance payments under this section.
(c) The corporation shall adopt rules in accordance with
chapter 91 to effectuate the purposes of this section."

PART III

SECTION 4. The purpose of this part is to repeal the
transportation use special fund.

The legislature finds that the transportation use special
fund, established by section 261D-1, Hawaii Revised Statutes,
has been unused, has held no deposits for many years, and should
be repealed. According to the department of transportation and
state auditor, this fund has outlived its purpose.

SECTION 5. Section 36-30, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:

"(a) Each special fund, except the:

1. Transportation use special fund established by section
   261B-1;

2. Special out-of-school time instructional program
   fund under section 302A-1310;

3. School cafeteria special funds of the department
   of education;

4. Special funds of the University of Hawaii;

5. State educational facilities improvement special
   fund;

6. Special funds established by section 206B-6;

7. Aloha Tower fund created by section 206J-17;

8. Funds of the employees' retirement system created
   by section 88-109;

9. Hawaii hurricane relief fund established under
   section 431P-2;
Convention center enterprise special fund established under section 201B-8;

Hawaii health systems corporation special funds and the subaccounts of its regional system boards;

Tourism special fund established under section 201B-11;

Universal service fund established under section 269-42;

Emergency and budget reserve fund under section 328L-3;

Public schools special fees and charges fund under section 302A-1130;

Sport fish special fund under section 187A-9.5;

Center for nursing special fund under section 304A-2163;

Passenger facility charge special fund established by section 261-5.5;

Court interpreting services revolving fund under section 607-1.5;

Hawaii cancer research special fund;

Community health centers special fund;
(21) Emergency medical services special fund;
(22) Rental motor vehicle customer facility charge special fund established under section 261-5.6;
(23) Shared services technology special fund under section 27-43;
(24) Nursing facility sustainability program special fund established pursuant to Act 156, Session Laws of Hawaii 2012;
(25) Automated victim information and notification system special fund established under section 353-136;
(26) Hospital sustainability program special fund under Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013,
shall be responsible for its pro rata share of the administrative expenses incurred by the department responsible for the operations supported by the special fund concerned."

SECTION 6. Section 261-5, Hawaii Revised Statutes, is amended to read as follows:

"§261-5 Disposition of airport revenue fund. (a) Except for:
That portion of the payments received by the department under a contract entered into as authorized by section 261-7 and deposited in the transportation use special fund pursuant to section 261D-1;

(1) All proceeds from the passenger facility charge and deposited in the passenger facility charge special fund; and

(2) All proceeds from the rental motor vehicle customer facility charge and deposited in the rental motor vehicle customer facility charge special fund,

all moneys received by the department from rents, fees, and other charges collected pursuant to this chapter, as well as all aviation fuel taxes paid pursuant to section 243-4(a)(2), shall be paid into the airport revenue fund created by section 248-8.

All moneys paid into the airport revenue fund shall be appropriated, applied, or expended by the department for any purpose within the jurisdiction, powers, duties, and functions of the department related to the statewide system of airports, including, without limitation, the costs of operation, maintenance, and repair of the statewide system of airports and reserves therefor, and acquisitions (including real property and
interests therein), constructions, additions, expansions,
improvements, renewals, replacements, reconstruction,
gineering, investigation, and planning for the statewide
system of airports, all or any of which in the judgment of the
department are necessary to the performance of its duties or
functions. The department shall generate sufficient revenues
from its airport properties to meet all of the expenditures of
the statewide system of airports and to comply with section 39-61; provided that as long as sufficient revenues are generated
to meet such expenditures, the director of transportation may,
in the director's discretion, grant a rebate of the aviation
fuel taxes paid into the airport revenue fund during a fiscal
year pursuant to sections 243-4(a)(2) and 248-8 to any person
who has paid airport use charges or landing fees during such
fiscal year. Such rebate may be granted during the next
succeeding fiscal year but shall not exceed one-half cent per
gallon per person, and shall be computed on the total number of
gallons for which the tax was paid by such person, for such
fiscal year.

(b) At any time the director of transportation may
transfer from the airport revenue fund all or any portion of the
moneys received by the department paid under a contract entered
into as authorized by section 261-7 on account of the display,
sale and delivery of in-bond merchandise displayed or sold at
locations in the State other than on airport properties, as
permitted under federal law without causing a violation of
federal grant agreements, which the director of transportation
shall determine, pursuant to rules promulgated pursuant to
chapter 91, to be in excess of one hundred fifty per cent of the
requirements of the airport revenue fund for the ensuing twelve
months.

(c) All expenditures by the department shall be on
vouchers duly approved by the director of transportation or such
other officer as may be designated by the director.

[(d)—Notwithstanding the provisions contained in any
contract authorized by section 261-7 in effect on June 13, 1989,
from and after June 13, 1989, to and including June 30, 1990,
all payments made under such contract allocable to the display
and sale of in-bond merchandise at locations in the State other
than on airport properties shall be credited to the
transportation use special fund established by section 261D-1 in
the airport revenue fund established by section 248-8, but shall
not be appropriated, applied, or expended prior to July 1, 1990, except for purposes provided under this section."

SECTION 7. Section 261D-1, Hawaii Revised Statutes, is repealed.

["§261D-1 Transportation use special fund established.

There is created in the treasury of the State, as a separate account in the airport revenue fund established by section 248-8, the transportation use special fund. There shall be credited to such account that portion of the moneys received by the department of transportation paid under any contract entered into as authorized by section 261-7 on account of the display, sale, and delivery of in-bond merchandise displayed or sold at locations in the State other than on airport properties in the manner provided by rules adopted pursuant to chapter 91 as permitted under federal law without causing a violation of federal grant agreements, or as shall be mutually agreed upon by the State and any appropriate agency of the federal government; provided that no moneys so credited may be appropriated, applied, or expended from the transportation use special fund prior to July 1, 1990, except for purposes provided under..."
section 261-5. The director of transportation shall administer
the fund."

SECTION 8. Section 261D-3, Hawaii Revised Statutes, is
repealed.

"[§261D-3]—Exempted from reimbursement for departmental
administrative expenses. The transportation use special fund is
exempted from section 36-30."

SECTION 9. Section 261D-4, Hawaii Revised Statutes, is
repealed.

"[§261D-4]—Report to the legislature. The director of
transportation shall submit a report to the legislature, not
later than thirty days after the end of each fiscal year with
respect to the transportation use special fund. The report
shall include, but not be limited to, the following:

(1) The amount of moneys received and deposited in the
transportation use special fund and the amount of
moneys transferred from the transportation use special
fund to any other special fund of the department of
transportation for the fiscal year just ended;

(2) The amount of moneys expected to be received by the
department of transportation, pursuant to section
261D-1, for the transportation use special fund and to be transferred to any other special fund of the department of transportation for the current fiscal year; and

(3) Any interest accrued or expense deducted from the moneys in the transportation use special fund, with an explanation for each.

PART IV

SECTION 10. The purpose of this part is to rename and reclassify the tourism emergency trust fund as a special fund.

The legislature finds that the fund functions more like a special fund and should be classified as a special fund.

SECTION 11. Section 201B-10, Hawaii Revised Statutes, is amended to read as follows:


(a) There is established outside the state treasury a tourism emergency [trust] special fund to be administered by the board [as trustee], into which shall be deposited the revenues prescribed by section 237D-6.5(b). All investment earnings from moneys in the [trust] special fund shall be credited to the tourism special fund[-] established pursuant to section 201B-11.
(b) Moneys in the [trust] special fund shall be used exclusively to provide for the development and implementation of emergency measures to respond to any tourism emergency pursuant to section 201B-9, including providing emergency assistance to tourists during the tourism emergency.

(c) Use of the [trust] special fund, consistent with subsection (b), shall be provided for in articles, bylaws, resolutions, or other instruments executed by the board as [trustee] administrator for the [trust] special fund."

SECTION 12. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $26,500,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the
tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph,

beginning July 1, 2007, funds shall be deposited
into the tourism emergency [trust] special fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency [trust] special fund;

(3) $103,000,000 for fiscal year 2014-2015, $103,000,000 for fiscal year 2015-2016, and $93,000,000 for each fiscal year thereafter shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in
section 87A-42, if the respective county fails to
remit the total amount of the county's required annual
contributions, as required under section 87A-43;

(4) $3,000,000 shall be allocated to the Turtle Bay
conservation easement special fund established under
section 201B-8.6 for the payment of debt service on
revenue bonds, the proceeds of which were used to
acquire the conservation easement in Turtle Bay, Oahu,
until the bonds are fully amortized; and

(5) Of the excess revenues deposited into the general fund
pursuant to this subsection, $3,000,000 shall be
allocated subject to the mutual agreement of the board
of land and natural resources and the board of
directors of the Hawaii tourism authority in
accordance with the Hawaii tourism authority strategic
plan for:

(A) The protection, preservation, and enhancement of
natural resources important to the visitor
industry;

(B) Planning, construction, and repair of facilities;

and
(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

PART V

SECTION 13. The purpose of this part is to reclassify the various housing loan special funds established pursuant to section 201H-80, Hawaii Revised Statutes, as revolving funds. The legislature finds that each of these funds functions as, and meets the criteria for, a revolving fund and should be reclassified as a revolving fund.

SECTION 14. Section 36-27, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Except as provided in this section, and notwithstanding any other law to the contrary, from time to time, the director of finance, for the purpose of defraying the
prorated estimate of central service expenses of government in
relation to all special funds, except the:

(1) Special out-of-school time instructional program fund
under section 302A-1310;

(2) School cafeteria special funds of the department of
education;

(3) Special funds of the University of Hawaii;

(4) State educational facilities improvement special fund;

(5) Convention center enterprise special fund under
section 201B-8;

(6) Special funds established by section 206E-6;

(7) Housing loan program revenue bond special fund;

(8) Housing project bond special fund;

(7) Aloha Tower fund created by section 206J-17;

(8) Funds of the employees' retirement system created
by section 88-109;

(9) Hawaii hurricane relief fund established under
chapter 431P;

(10) Hawaii health systems corporation special funds
and the subaccounts of its regional system boards;
(11) Tourism special fund established under section 201B-11;

(12) Universal service fund established under section 269-42;

(13) Emergency and budget reserve fund under section 328L-3;

(14) Public schools special fees and charges fund under section 302A-1130;

(15) Sport fish special fund under section 187A-9.5;

(16) Glass advance disposal fee established by section 342G-82;

(17) Center for nursing special fund under section 304A-2163;

(18) Passenger facility charge special fund established by section 261-5.5;

(19) Court interpreting services revolving fund under section 607-1.5;

(20) Hawaii cancer research special fund;

(21) Community health centers special fund;

(22) Emergency medical services special fund;
(23) Rental motor vehicle customer facility charge special fund established under section 261-5.6;
(24) Shared services technology special fund under section 27-43;
(25) Automated victim information and notification system special fund established under section 353-136;
(26) Deposit beverage container deposit special fund under section 342G-104;
(28) Nursing facility sustainability program special fund under Act 156, Session Laws of Hawaii 2012;
(29) Hawaii 3R's school improvement fund under section 302A-1502.4; and
(30) After-school plus program revolving fund under section 302A-1149.5,
shall deduct five per cent of all receipts of all special funds, which deduction shall be transferred to the general fund of the State and become general realizations of the State. All officers of the State and other persons having power to allocate
or disburse any special funds shall cooperate with the director in effecting these transfers. To determine the proper revenue base upon which the central service assessment is to be calculated, the director shall adopt rules pursuant to chapter 91 for the purpose of suspending or limiting the application of the central service assessment of any fund. No later than twenty days prior to the convening of each regular session of the legislature, the director shall report all central service assessments made during the preceding fiscal year."

SECTION 15. Section 201H-75, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) The trustee shall also be authorized by the corporation to hold and administer any housing project bond [special] revolving funds and housing loan program revenue bond [special] revolving funds established pursuant to section 201H-80. The trustee may receive and receipt for, hold, and administer the revenues derived by the corporation from any housing project or projects or loan program for which the bonds are issued or the projects or loan programs pledged to the payment of the bonds. The trustee shall apply the revenues to the payment of the cost of administering, operating, and
maintaining the housing project or projects or loan program; to pay the principal of and the interest on the bonds; to the establishment of reserves; and to other purposes as may be authorized in the proceedings providing for the issuance of the bonds."

SECTION 16. Section 201H-80, Hawaii Revised Statutes, is amended as follows:

1. By amending its title to read:

"[§] 201H-80 [§] Housing finance revolving fund; bond [special] revolving funds."

2. By amending subsections (b) to (d) to read as follows:

"(b) All moneys received and collected by the corporation, not otherwise pledged or obligated nor required by law to be placed in any other special or revolving fund, shall be deposited in the housing finance revolving fund.

(c) A separate [special] revolving fund shall be established for each housing project or system of housing projects or loan program financed from the proceeds of bonds secured under the same trust indenture. Each fund shall be designated "housing project bond [special] revolving fund" or "housing loan program revenue bond [special] revolving fund", as
appropriate, and shall bear any additional designation as the corporation deems appropriate to properly identify the fund.

(d) Notwithstanding any other law to the contrary, all revenues, income, and receipts derived from a housing project or system of projects or loan program financed from the proceeds of bonds or pledged to the payment of the principal of and interest and premium on bonds, shall be paid into the housing project bond [special] revolving fund or housing loan program revenue bond [special] revolving fund established for the housing project or system of projects or loan program and applied as provided in the proceedings authorizing the issuance of the bonds."

SECTION 17. Section 201H-100, Hawaii Revised Statutes, is amended to read as follows:

"[§] 201H-100[§] Housing loan programs; fees. The corporation may establish, revise, charge, and collect fees, premiums, and charges as necessary, reasonable, or convenient, for its housing loan programs. The fees, premiums, and charges shall be deposited into the housing loan program revenue bond [special] revolving fund established for the particular housing
loan program or part thereof from which the fees, premiums, and
charges are derived as determined by the corporation."

SECTION 18. The housing loan program revenue bond special
fund - rental housing system, established in 1987 and
administered by the department of business, economic
development, and tourism, shall be reclassified as a revolving
fund and renamed the housing loan program revenue bond revolving
fund - rental housing system.

SECTION 19. The housing loan program revenue bond fund,
established in 1979 and administered by the department of
business, economic development, and tourism, and also known as
the single family mortgage purchase revenue bond fund, shall be
reclassified as a revolving fund.

SECTION 20. The housing project bond special fund - multi
family, established in 1980 and administered by the department
of business, economic development, and tourism, shall be
reclassified as a revolving fund and be renamed the housing
project bond revolving fund - multi family.
PART VI

SECTION 21. The purpose of this part is to reclassify the rental housing trust fund as a revolving fund.

The legislature finds that the fund serves the purpose for which it was created, but does not meet the criteria for a trust fund, and should be reclassified as a revolving fund.

SECTION 22. Section 201H-6, Hawaii Revised Statutes, is amended by amending subsection (f) to read as follows:

"(f) The corporation, through the housing advocacy and information system, shall develop and maintain an affordable housing inventory registry to identify:

(1) Affordable housing projects developed by the corporation utilizing moneys in the rental housing [trust] revolving fund established pursuant to section 201H-202 or the dwelling unit revolving fund[ ];

established pursuant to section 201H-191;

(2) State and federal public housing projects identified by the Hawaii public housing authority;

(3) United States Department of Housing and Urban Development Region 9 federally supported and privately managed housing projects; and
(4) State and county lands that may be developed for affordable housing, as defined in section 201H-57(b)."

SECTION 23. Chapter 201H, Hawaii Revised Statutes, is amended by amending the title of part III, subpart J, to read as follows:

"J. Rental Housing [Trust] Revolving Fund"

SECTION 24. Section 201H-201, Hawaii Revised Statutes, is amended by amending the definition of "fund" to read as follows:

"Fund" means the rental housing [trust] revolving fund established [in this subpart] pursuant to section 201H-202."

SECTION 25. Section 201H-202, Hawaii Revised Statutes, is amended by amending its title and subsection (a) to read as follows:

"§201H-202 Rental housing [trust] revolving fund. (a) There is established the rental housing [trust] revolving fund to be administered by the corporation."

SECTION 26. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

"§247-7 Disposition of taxes. All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for
the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent shall be paid into the land conservation fund established pursuant to section 173A-5;

(2) Twenty-five per cent from July 1, 2009, until June 30, 2012; thirty per cent from July 1, 2012, until June 30, 2014; and fifty per cent in each fiscal year thereafter shall be paid into the rental housing [trust] revolving fund established by section 201H-202; and

(3) Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the natural area reserve fund established by section 195-9; provided that the funds paid into the natural area reserve fund shall be annually disbursed by the department of land and natural resources in the following priority:

(A) To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;
Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3;

and

The youth conservation corps established under chapter 193."

SECTION 27. The purpose of this part is to repeal the public facility revenue bond special fund.

The legislature finds that the fund does not meet the purpose for which it was created and does not meet the criteria for a special fund. Accordingly, since the fund is an integral part of chapter 206E, part IV, the legislature finds that the entire part should be repealed.

SECTION 28. Chapter 206E, part IV, Hawaii Revised Statutes, is repealed.

SECTION 29. The purpose of this part is to repeal the capital formation revolving fund.
The legislature finds that the fund does not serve the purpose for which it was created, does not meet the criteria for a revolving fund, has never been used, has not supported any investment, and should be repealed. The legislature further finds that chapter 211G, Hawaii Revised Statutes, should be repealed because the fund is inactive.

SECTION 30. Section 211F-4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The corporation shall have all of the powers necessary to carry out its purposes which shall include but not be limited to the power to:

(1) Adopt rules pursuant to chapter 91 to carry out the purposes of this chapter;

(2) Adopt an official seal;

(3) Sue and be sued, in its own name;

(4) Finance, conduct, or cooperate in financing or conducting technological, business, financial, or other investigations that are related to or likely to lead to business and economic development by making and entering into contracts and other appropriate arrangements, including the provision of loans, start-
(5) Solicit, study, and assist in the preparation of business plans and proposals;
(6) Provide advice and technical and marketing assistance, support, and promotion to enterprises in which investments have been made;
(7) Coordinate the corporation's programs with any education and training program;
(8) Carry out specialized programs designed to encourage the development of new products, businesses, and markets;
(9) Prepare, publish, and distribute such technical studies, reports, bulletins, and other materials as it deems appropriate, subject only to the maintenance and respect for confidentiality of client proprietary information;
(10) Organize, conduct, sponsor, or cooperate in and assist in the conduct of conferences, demonstrations, and studies relating to the stimulation and formation of
businesses [and to fulfilling the objectives and purposes of chapter 211G];

(11) Provide and pay for such advisory services and technical, managerial, and marketing assistance, support, and promotion as may be necessary or desirable to carry out the purposes of this chapter;

(12) Acquire, hold, and sell qualified securities;

(13) Consent, subject to the provisions of any contract with noteholders or bondholders, whenever the corporation deems it necessary or desirable in the fulfillment of the purposes of this chapter, to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, or any other terms, of any contract or agreement of any kind to which the corporation is a party;

(14) Accept donations, grants, bequests, and devises of money, property, service, or other things of value that may be received from the United States or any agency thereof, any governmental agency, or any public or private institution, person, firm, or corporation,
to be held, used, or applied for any or all of the
purposes specified in this chapter. Receipt of each
donation or grant shall be detailed in the annual
report of the corporation. The report shall include
the identity of the donor or lender, the nature of the
transaction, and any conditions attaching thereto;
(15) Invest any funds held in reserves or sinking funds, or
any funds not required for immediate disbursement, in
such investments as may be lawful for fiduciaries in
the State;
(16) Acquire real property, or an interest therein, by
purchase or foreclosure, where that acquisition is
necessary or appropriate to protect or secure any
investment or loan in which the corporation has an
interest; sell, transfer, and convey the property to a
buyer and if the sale, transfer, or conveyance cannot
be effected with reasonable promptness or at a
reasonable price, to lease the property to a tenant;
(17) Acquire, own, hold, dispose of, and encumber personal
property of any nature, or any interest therein;
(18) Enter into agreements or other transactions with any federal, state, or county agency;
(19) Make contracts and execute all instruments necessary or convenient for the carrying on of its business;
(20) Appear in its own behalf before state, county, or federal agencies;
(21) Procure insurance as may be necessary;
(22) Appoint officers, employees, consultants, agents, and advisors who shall not be subject to chapter 76, and prescribe their duties and fix compensation within the limitations provided by law;
(23) Appoint advisory committees as deemed necessary; and
(24) Exercise any other powers of a corporation organized under the laws of the State."

SECTION 31. Chapter 211G, Hawaii Revised Statutes, is repealed.

PART IX

SECTION 32. The purpose of this part is to repeal the statewide geospatial information and data integration special fund.
The legislature finds that the fund does not serve the purpose for which it was created and should be repealed.

SECTION 33. Section 225M-6, Hawaii Revised Statutes, is repealed.

["§225M-6 Fees for statewide planning and geographic information system services and products. The office of planning may charge fees for statewide planning and geographic information system services and products. All fees collected for statewide planning and geographic information system analyses and other related services shall be deposited into the statewide geospatial information and data integration special fund for the sole purpose of supporting the statewide planning and geographic information system. The office shall adopt rules setting fees for statewide planning and geographic information system services and products."]

SECTION 34. Section 225M-7, Hawaii Revised Statutes, is repealed.

["§225M-7 Statewide geospatial information and data integration special fund. (a) There is established in the state treasury the statewide geospatial information and data integration special fund, into which shall be deposited:"]
1 (1) Moneys directed, allocated, or disbursed to the
2 statewide geospatial information and data integration
3 program from other government agencies or private
4 sources to help support the acquisition of hardware,
5 software, applications, and databases;
6 (2) Moneys directed, allocated, or disbursed to the
7 statewide geospatial technologies program from non-
8 state sources, including but not limited to grants,
9 awards, and donations;
10 (3) Moneys collected as fees for statewide planning and
11 geographic information system services rendered; and
12 (4) Investment earnings credited to the assets of the fund
13 and all interest on special fund balances.
14 (b) The statewide geospatial information and data
15 integration special fund shall be used to help defray the cost
16 of, including but not limited to the following:
17 (1) Programs and activities to implement this chapter,
18 including the provision of state funds to match
19 federal funds from the United States Geological Survey
20 or other federal departments; and
PART X

SECTION 35. The purpose of this part is to repeal the fee simple residential revolving fund.

The legislature finds that the fund no longer serves the purpose for which it was created, does not meet the criteria for a revolving fund, and should be repealed.

SECTION 36. Section 201H-211, Hawaii Revised Statutes, is amended to read as follows:

"§201H-211 Expenditures of revolving funds under the corporation exempt from appropriation and allotment. Except as to administrative expenditures, and except as otherwise provided by law, expenditures from the revolving funds administered by the corporation under subparts I and J of part III, relating to
financing programs, or [sections] section 201H-80[τ] or 201H-123[, or 516-44] may be made by the corporation without appropriation or allotment by the legislature; provided that no expenditure shall be made from and no obligation shall be incurred against any revolving fund in excess of the amount standing to the credit of the fund or for any purpose for which the fund may not lawfully be expended. Nothing in sections 37-31 to 37-41 shall require the proceeds of the revolving funds identified in subparts I and J of part III, or [sections] section 201H-80[τ] or 201H-123[, or 516-44] to be reappropriated annually."

SECTION 37. Section 516-5, Hawaii Revised Statutes, is amended to read as follows:

"§516-5 Penalty. Any person who violates this chapter shall be fined not more than $5,000 nor less than $1,000 or imprisoned not more than one year, or both. [All fines collected shall be deposited in the fee simple [residential] revolving fund created by this chapter.]"

SECTION 38. Section 516-45, Hawaii Revised Statutes, is amended to read as follows:
"§516-45 General obligation bonds. The director of finance may, from time to time, issue general obligation bonds in such amounts as may be authorized by the legislature, for the purpose of acquisition by the Hawaii housing finance and development corporation of residential house lots within development tracts pursuant to chapter 516, part II or for the acquisition of suitable properties to exchange pursuant to section 516-24.5 or for the acquisition by the department of land and natural resources under section 171-50.1 of suitable properties for exchange pursuant to section 171-50.2 to effectuate the purpose of this chapter. [The principal and interest of general obligation bonds issued pursuant to this section shall be reimbursed to the general fund from the fee simple residential revolving fund as provided in section 516-44.] Pending the receipt of funds from the issuance and sale of general obligation bonds, amounts required within the limits of legislative authorization may be advanced to the Hawaii housing finance and development corporation from the general fund of the State. Upon the receipt of the bond funds, the general fund shall be reimbursed the amount advanced."
SECTION 39. Section 516-44, Hawaii Revised Statutes, is repealed.

["§516-44 Fee simple residential revolving fund. A fee simple residential revolving fund is created. The funds appropriated for the purposes of this chapter and chapter 519 and all moneys received or collected by the Hawaii housing finance and development corporation under this chapter and chapter 519 shall be deposited in the revolving fund. Moneys collected to reimburse the corporation from the lessees for their pro-rata share of the direct costs incurred by the corporation under this chapter shall be deposited into the revolving fund. The proceeds in the funds shall first be used to pay the principal and interest on bonds or other indebtedness issued by the corporation, or by the State, and then for necessary expenses, including indirect costs of the corporation in administering chapters 516 and 519. Moneys in the fund shall be used to pay all costs of chapters 516 and 519 including administration."]

PART XI

SECTION 40. The following funds are abolished:

SB1092 HD1 HMS 2015-2775
(1) The Amtrak trust account established in 1998 and
administered by the department of transportation;
(2) The Hurricane Iniki insurance proceeds special fund
administratively established in 1997 and administered
by the department of transportation; and
(3) The deposits-plans and specifications trust account
administratively established in 1988 and administered
by the department of transportation,
and all unencumbered balances remaining shall be transferred to
the general fund.

SECTION 41. On July 1, 2015, all unencumbered balances
remaining in the funds repealed by this Act shall lapse to the
credit of the general fund.

SECTION 42. All balances in the funds renamed and
reclassified pursuant to this Act shall remain in their
respective funds as if no renaming and reclassification had
occurred.

PART XII
SECTION 43. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.
SECTION 44. This Act shall take effect on July 1, 2015; provided that sections 5 and 14 of this Act shall take effect on June 29, 2015; provided further that the amendments made in sections 5 and 14 shall not be repealed when sections 36-27 and 36-30, Hawaii Revised Statutes, are reenacted on:

(A) June 30, 2015, pursuant to section 34 of Act 79, Session Laws of Hawaii 2009; and

(B) December 31, 2015, pursuant to section 7 of Act 124, Session Laws of Hawaii 2014.

APPROVED this day of , 2015

GOVERNOR OF THE STATE OF HAWAII
July 2, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 2, 2015, the following bill was signed into law:

SB1096 SD1 HD2 CD1 RELATING TO ON-BILL PROGRAMS
ACT 201 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO ON-BILL PROGRAMS.

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

SECTION 1. The purpose of this Act is to ensure that electric utilities acting as billing and collections agents in a purely "pass-through" capacity for any on-bill financing program or on-bill repayment program in the State do not inappropriately incur costs and assessments from Hawaii tax laws and are not otherwise regulated as financial and debt collection organizations operating in the State.

SECTION 2. Section 269-125, Hawaii Revised Statutes, is amended to read as follows:

"[+]§269-125[+] On-bill financing for energy efficiency and renewable energy. (a) The public utilities commission shall investigate an on-bill financing program that would allow an electric utility company customer to purchase or otherwise acquire a renewable energy system or energy-efficient device, as determined by the public utilities commission, by providing for billing and payment of such a system or device through an assessment on the electric utility company customer's electricity bill.

2015-2656 SB1096 CD1 SMA.doc
(b) In investigating an on-bill financing program, the public utilities commission may consider:

1. The costs and benefits associated with the establishment and administration of the program;
2. The ability of the program to effectively provide life cycle cost savings to participating electric utility company customers;
3. The ability of the program to make renewable energy and energy efficiency more accessible to the rental market and other underserved markets;
4. Methods to structure the program to ensure that any public benefits fee funds are spent cost-effectively and in compliance with applicable statutes;
5. The use of non-ratepayer funds or private capital to provide financing for renewable energy systems or energy-efficient devices acquired through the program;
6. Reasonable penalties, which may include fines and disconnection of utility services, for nonpayment of on-bill financing costs;
7. The ability of an electric utility company to recover costs incurred due to the program; and
(8) Other issues the public utilities commission deems appropriate.

(c) If on-bill financing is determined by the public utilities commission to be viable, the public utilities commission may implement an on-bill financing program by decision and order or by rules pursuant to chapter 91.

(d) Amounts collected from electric utility customers by electric utilities for the repayment of on-bill obligations shall not be considered revenue of the electric utilities and accordingly, shall not be subject to state or county taxes, including the general excise tax under chapter 237, the public service company tax under chapter 239, the public utility fee under section 269-30, and the public utility franchise tax under chapter 240.

(e) The act of serving as an agent to bill and to collect the repayment of on-bill obligations shall not cause any electric utility to be subject to the laws that regulate financial institutions, escrow depositories, or collection agencies. An electric utility shall not be responsible for lending, underwriting, and credit determinations.

(f) As used in this section:
"On-bill obligation" means any and all costs resulting from the acquisition and installation of renewable energy, energy efficiency, or energy conservation systems approved by the public utilities commission for repayment through an on-bill program.

"On-bill program" means any program approved by the public utilities commission that allows for the payment or repayment by an electric utility customer for the acquisition and installation of renewable energy, energy efficiency, or energy conservation systems as part of the electric utility customer's electric utility bill.

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.
June 5, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
 Twenty-Eighth State Legislature  
 State Capitol, Room 409  
 Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
 House of Representatives  
 Twenty-Eighth State Legislature  
 State Capitol, Room 431  
 Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 5, 2015, the following bill was signed into law:

SB92 SD2 HD1 CD1  
RELATING TO TAXATION  
ACT 094 (15)

Sincerely,

[Signature]

DAVID Y. IGE  
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The purpose of this Act is to address taxation.

More specifically, this Act requires the department of taxation to publish reports of certain general excise tax exemptions.

SECTION 2. Section 231-3.4, Hawaii Revised Statutes, is amended to read as follows:

"§231-3.4 Publication of reports. (a) The department of taxation shall publish reports on the following:

(1) Hawaii income patterns--individuals;

(2) Hawaii income patterns--[corporations, proprietors, and partnerships, and] businesses;

(3) Tax credits[...]; and

(4) General excise tax exemptions that:

(A) Are tax expenditures at the wholesale rate;

(B) Are tax expenditures at the retail rate; and

(C) May be foregone opportunities to export taxes;

provided that the department of taxation shall have the discretion to determine the exemptions that fit within each of the categories within subparagraphs
(A), (B), and (C) and those that do not fit into any of the categories. The department shall not be required to publish reports on exemptions that do not fit into any of the categories.

(b) The department shall make each of these reports available in both paper form and commonly accessible electronic forms.

(c) The department of taxation shall [report] provide the reports required by subsection (a)(1) and (3) to the legislature no later than twenty days prior to the convening of each regular session[; provided that on or before December 31, 2012, the department shall report to the legislature on:

(1) The resources and information needed to complete the reports required under subsection (a)(3);

(2) An identification of the best means of providing information in an electronic format in the future; and

(3) Recommendations for additional information that may be required for inclusion in the reports as the department upgrades its tax computer systems and associated enterprise resource planning implementation.]} provided that on or before December
31, 2015, the department of taxation shall report to
the legislature on the status of upgrading its forms
and reporting capabilities per the implementation of
the department of taxation's tax system modernization.
The department of taxation shall provide the reports
required by subsection (a)(2) and (4) to the
legislature no later than twenty days prior to the
convening of the 2017 regular session and each session
thereafter.

(d) The department may explore and implement all
reasonable methods of covering the costs of distribution of the
reports, including but not limited to:

(1) Setting reasonable fees that will cover the costs of
producing and distributing the reports in paper and
electronic form; and

(2) Negotiating licensing fees with commercial information
providers for rights to carry the reports on-line or
in other electronic storage methods."

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2015.
July 14, 2015

The Honorable Ronald Kouchi,  
President and Members  
of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker and Members of  
the House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

Re: SB118 SD1 HD2 CD1

SB118 SD1 HD2 CD1, entitled “RELATING TO REAL ESTATE INVESTMENT TRUSTS” will become law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The reporting date of at least 20 days before the 2016 legislative session will not allow enough time to collect enough data from taxes. Also, there are many categories of required data that currently do not exist. The department will need to create surveys to obtain this date and risk biased results. Finally, it is possible that not all Hawai‘i taxpayers who invest in real estate investment trusts can be identified.

While I recognize the value of studying the impact of real estate investment trusts in Hawai‘i, I am not certain the study will yield the intended results due to limited time and resources.
For the foregoing reasons, SB118 SD1 HD2 CD1 will become law as ACT 239 (15), Session Laws of Hawaii 2015, effective July 14, 2015, without my signature.

Sincerely,

[Signature]

DAVID Y. IGE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO REAL ESTATE INVESTMENT TRUSTS.

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

SECTION 1. (a) The department of business, economic
development, and tourism, with the assistance of the department
of taxation, shall study the impact of real estate investment
trusts in Hawaii and the possible effect of repealing the
dividends paid deduction for real estate investment trusts. The
study shall address the following:

1. The total number of real estate investment trusts that
   operate in Hawaii;
2. Of that total in paragraph (1), the number that are
   Hawaii-based;
3. The number of Hawaii taxpayers who are investors in
   real estate investment trusts that operate in Hawaii;
4. The number of Hawaii taxpayers who are investors in
   Hawaii-based real estate investment trusts that
   operate in Hawaii;
5. A breakdown of Hawaii taxpayers who are investors in
   Hawaii-based real estate investment trusts that
   operate in Hawaii, by filing status and income;
(6) The direct and indirect impacts of real estate investment trusts on the Hawaii economy, especially in real estate development and operation;

(7) A comprehensive examination of captive real estate investment trusts for companies operating in Hawaii;

(8) An examination of the argument that real estate investment trusts provide opportunities for small investors to pool funds with others and invest in real estate developments, similar to investments through mutual funds invested in company stocks;

(9) An examination of the possible transfer pricing if the dividend paid income tax deduction for real estate investment trusts is repealed;

(10) An examination of the equity and efficiency of the dividends paid income tax deduction for real estate investment trusts;

(11) The projected tax revenue impact to the State if the dividends paid income tax deduction for real estate investment trusts is repealed;
(12) The impact on the real estate development market and capacity if the dividends paid income tax deduction for real estate investment trusts is repealed; and

(13) The impact on the economy of the State if the dividends paid income tax deduction for real estate investment trusts is repealed.

(b) The department of business, economic development, and tourism shall submit its findings and recommendations, including any proposed legislation, to the legislature not later than twenty days prior to the convening of the regular session of 2016.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of $100,000 or so much thereof as may be necessary for fiscal year 2015-2016 for the study on real estate investment trusts required under section 1 of this Act.

The sum appropriated shall be expended by the department of business, economic development, and tourism for the purposes of this Act.

SECTION 3. This Act shall take effect upon approval; provided that section 2 shall take effect on July 1, 2015.
S.B. NO. 118
S.D. 1
H.D. 2
C.D. 1

APPROVED this day of , 2015

GOVERNOR OF THE STATE OF HAWAII
July 13, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker  
and Members of the House  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

I am transmitting herewith SB349 SD2 HD2 CD1, without my approval, and with the statement of objections relating to the measure.

SB349 SD2 HD2 CD1 RELATING TO TAXATION

Sincerely,

David Y. Ige  
Governor, State of Hawaii
STATEMENT OF OBJECTIONS TO SENATE BILL NO. 349

Honorable Members
Twenty-Eighth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 349, entitled "A Bill for an Act Relating to Taxation."

The purposes of this bill are to establish a five-year renewable fuels production tax credit and to repeal the ethanol facility tax credit. This bill allows qualifying taxpayers to claim a refundable income tax credit equal to 20 cents per seventy-six thousand British thermal units of qualifying renewable fuel produced and sold in the State. The credit in this bill is capped at $3,000,000 per taxpayer per year and the total credits for all taxpayers is capped at $3,000,000 per year. This bill also:
(1) requires the Department of Business and Economic Development and Tourism to certify all tax credits and submit a report regarding the production and sale of qualifying renewable fuels to the governor and legislature each year; (2) applies to taxable years beginning after December 31, 2015; and (3) repeals the tax credit on July 1, 2020.

This bill is objectionable because the provisions in this bill on page 2, lines 8-11, and page 4, lines 1-6, that restrict the income tax credit for renewable fuels to only renewable fuels produced and sold in the State may be subject to challenge as violating the Commerce Clause of the United States Constitution. The United States Supreme Court has stated that a cardinal rule of Commerce Clause jurisprudence is that “[n]o State, consistent with the Commerce Clause, may ‘impose a tax which discriminates against interstate commerce . . . by providing a direct commercial advantage to local business.’” Bacchus Imports, Ltd. v. Dias, 468 U.S. 263, 268 (1984), citing Boston Stock Exchange v. State Tax Comm’n, 429 U.S. 318, 329 (1977). In Bacchus the United States Supreme Court struck down a Hawaii law that provided an
exemption from the liquor tax for liquor produced in the State. While the credit in this bill provides an income tax credit as opposed to an exemption from the liquor tax, I believe that a similar result would occur if this income tax credit is challenged.

In addition, although the "credit period" defined on page 2, lines 1-5, sets the maximum period to claim the credit at five consecutive years, section 6 of the bill on page 19, lines 19-21, provides for the repeal of the credit only four and one-half years after the income tax credit becomes available.

For the foregoing reasons, I am returning Senate Bill No. 349 without my approval.

Respectfully,

DAVID Y. IGE
Governor of Hawaii
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. Hawaii is vulnerable to soaring prices or
disruptions of its energy imports, which can hinder, cripple, or
even devastate the State's economy and the well-being of its
inhabitants. As the most isolated land mass on earth, Hawaii
imports nearly ninety per cent of its energy and almost one
hundred per cent of its transportation resources. The
legislature finds that it is critical for Hawaii to ensure
greater energy security by becoming more self-sufficient in its
energy supply.

The purpose of this Act is to:

(1) Establish a renewable fuels production tax credit to
achieve greater energy security for Hawaii; and

(2) Repeal the ethanol facility tax credit.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is
amended by adding a new section to be appropriately designated
and to read as follows:

"§235- Renewable fuels production tax credit. (a) As
"Credit period" means a maximum period of five consecutive years beginning from the first taxable year in which a taxpayer begins qualifying renewable fuels production at a level of at least fifteen billion British thermal units of qualifying renewable fuels per year.

"Net income tax liability" means net income tax liability reduced by all other credits allowed under this chapter.

"Qualifying renewable fuels" means fuels produced within the State from renewable feedstocks at a production facility located within the State; provided that:

(1) The fuels shall be sold in the State as a fuel; and

(2) The qualifying renewable fuels meet the relevant ASTM International specifications for the particular fuel or other industry specifications for liquid or gaseous fuels, including but not limited to:

(A) Methanol, ethanol, or other alcohols;

(B) Hydrogen;

(C) Biodiesel or renewable diesel;

(D) Biogas;

(E) Other biofuels; or

(F) Renewable jet fuel or renewable gasoline.
"Renewable feedstocks" means:

(1) Biomass crops;

(2) Agricultural residues;

(3) Oil crops, including but not limited to algae, canola, jatropha, palm, soybean, and sunflower;

(4) Sugar and starch crops, including but not limited to sugar cane and cassava;

(5) Other agricultural crops;

(6) Grease and waste cooking oil;

(7) Food wastes;

(8) Municipal solid wastes and industrial wastes;

(9) Water; and

(10) Animal residues and wastes,

that can be used to generate energy.

(b) Each year during the credit period, there shall be allowed to each taxpayer subject to the taxes imposed by this chapter, a renewable fuels production tax credit that shall be applied to the taxpayer’s net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.
For each taxpayer producing qualifying renewable fuels, the annual dollar amount of the renewable fuels production tax credit during the five-year period shall be equal to 20 cents per seventy-six thousand British thermal units of qualifying renewable fuels using the lower heating value produced and sold for distribution in Hawaii; provided that the taxpayer's production of qualifying renewable fuels is not less than fifteen billion British thermal units of qualifying renewable fuels per year; provided further that the amount of the tax credit claimed under this section by a taxpayer shall not exceed $3,000,000 per taxable year. No other tax credit may be claimed under this chapter for the costs related to qualifying renewable fuels production that are used to properly claim a tax credit under this section for the taxable year.

(c) The department of business, economic development, and tourism shall:

(1) Verify the amount and type of qualifying renewable fuels produced and sold, including the purpose for which the fuel was produced;
(2) Total all qualifying renewable fuels production that
the department of business, economic development, and
tourism certifies for purposes of paragraph (3); and

(3) Certify the total amount of the tax credit for each
taxable year and the cumulative amount of the tax
credit during the credit period.

Upon each determination, the department of business, economic
development, and tourism shall issue a certificate to the
taxpayer verifying the amount of qualifying renewable fuels
production, the credit amount certified for each taxable year,
and the cumulative amount of the tax credit during the credit
period. The taxpayer shall file the certificate with the
taxpayer's tax return with the department of taxation.

Notwithstanding the department of business, economic
development, and tourism's certification authority under this
section, the director of taxation may audit and adjust the
certification process as is necessary.

If in any year, the annual amount of certified credits
reaches $3,000,000 in the aggregate, the department of business,
economic development, and tourism shall immediately discontinue
certifying credits and notify the department of taxation. In no
instance shall the total amount of certified credits exceed
$3,000,000 per year. Notwithstanding any other law to the
contrary, the verification and certification information
compiled by the department of business, economic development,
and tourism shall be available for public inspection and
dissemination under chapter 92F.

(d) If the credit under this section exceeds the
taxpayer's income tax liability, the excess of credit over
liability shall be refunded to the taxpayer; provided that no
refunds or payments on account of the tax credit allowed by this
section shall be made for amounts less than $1. All claims for
a credit under this section shall be properly filed on or before
the end of the twelfth month following the close of the taxable
year for which the credit may be claimed. Failure to comply
with the foregoing provision shall constitute a waiver of the
right to claim the credit.

(e) Prior to production of any qualifying renewable fuels
for the year, the taxpayer shall provide written notice of the
taxpayer's intention to begin production of qualifying renewable
fuels. The information shall be provided to the department of
taxation and the department of business, economic development,
and tourism on forms provided by the department of business, economic development, and tourism, and shall include information on the taxpayer, facility location, facility production capacity, anticipated production start date, and taxpayer's contact information. Notwithstanding any other law to the contrary, this taxpayer and facility information shall be available for public inspection and dissemination under chapter 92F.

(f) The taxpayer shall provide written notice to the director of taxation and the director of business, economic development, and tourism within thirty days following the start of production. The notice shall include the production start date and expected qualifying renewable fuels production for the next twelve months. Notwithstanding any other law to the contrary, this production information shall be available for public inspection and dissemination under chapter 92F.

(g) Each calendar year during the credit period, the taxpayer shall provide information to the director of business, economic development, and tourism on the number of British thermal units of qualifying renewable fuels produced and sold during the previous calendar year, the type of fuels, feedstocks
used for qualifying renewable fuels production, the number of
employees of the facility and each employee's state of
residency, and the projected number of British thermal units of
qualifying renewable fuels production for the succeeding year.

(h) In the case of a partnership, S corporation, estate,
or trust, distribution and share of the tax credit for
qualifying renewable fuels production shall be determined
pursuant to section 704(b) (with respect to partner's
distributive share) of the Internal Revenue Code.

(i) Following each year in which a credit under this
section has been claimed, the director of business, economic
development, and tourism shall submit a written report to the
governor and legislature regarding the production and sale of
renewable fuels. The report shall include:

(1) The number, location, and production of qualifying
renewable fuels production facilities in the State;

(2) The total number of British thermal units of
qualifying renewable fuels, broken down by type of
fuel, produced and sold during the previous year; and
(3) The projected number of British thermal units of qualifying renewable fuels production for the succeeding year.

(j) The director of taxation shall prepare forms that may be necessary to claim a credit under this section. The director of taxation may require the taxpayer to furnish information to ascertain the validity of the claim for credit made under this section and may adopt rules necessary to effectuate the purposes of this section pursuant to chapter 91."

SECTION 3. Section 235-110.3, Hawaii Revised Statutes, is repealed.

["§235-110.3 Ethanol facility tax credit. (a) Each year during the credit period, there shall be allowed to each taxpayer subject to the taxes imposed by this chapter, an ethanol facility tax credit that shall be applied to the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

For each qualified ethanol production facility, the annual dollar amount of the ethanol facility tax credit during the eight-year period shall be equal to thirty per cent of its..."
nameplate capacity if the nameplate capacity is greater than five hundred thousand but less than fifteen million gallons. A taxpayer may claim this credit for each qualifying ethanol facility, provided that:

(1) The claim for this credit by any taxpayer of a qualifying ethanol production facility shall not exceed one hundred percent of the total of all investments made by the taxpayer in the qualifying ethanol production facility during the credit period;

(2) The qualifying ethanol production facility operated at a level of production of at least seventy-five percent of its nameplate capacity on an annualized basis;

(3) The qualifying ethanol production facility is in production on or before January 1, 2017; and

(4) No taxpayer that claims the credit under this section shall claim any other tax credit under this chapter for the same taxable year.

(b) As used in this section: "Credit period" means a maximum period of eight years beginning from the first taxable year in which the qualifying ethanol production facility begins production even if actual
production is not at seventy-five percent of nameplate capacity.

"Investment" means a nonrefundable capital expenditure related to the development and construction of any qualifying ethanol production facility, including processing equipment, waste treatment systems, pipelines, and liquid storage tanks at the facility or remote locations, including expansions or modifications. Capital expenditures shall be those direct and certain indirect costs determined in accordance with section 263A of the Internal Revenue Code, relating to uniform capitalization costs, but shall not include expenses for compensation paid to officers of the taxpayer, pension and other related costs, rent for land, the costs of repairing and maintaining the equipment or facilities, training of operating personnel, utility costs during construction, property taxes, costs relating to negotiation of commercial agreements not related to development or construction, or service costs that can be identified specifically with a service department or function or that directly benefit or are incurred by reason of a service department or function. For the purposes of determining a capital expenditure under this section, the provisions of
section 263A of the Internal Revenue Code shall apply as it read
on March 1, 2004. For purposes of this section, investment
excludes land costs and includes any investment for which the
taxpayer is at-risk, as that term is used in section 465 of the
Internal Revenue Code (with respect to deductions limited to
amount at-risk).

"Nameplate capacity" means the qualifying ethanol
production facility's production design capacity, in gallons of
motor fuel grade ethanol per year.

"Net income tax liability" means net income tax liability
reduced by all other credits allowed under this chapter.

"Qualifying ethanol production" means ethanol produced from
renewable, organic feedstocks, or waste materials, including
municipal solid waste. All qualifying production shall be
fermented, distilled, gasified, or produced by physical-chemical
conversion methods such as reformation and catalytic conversion
and dehydrated at the facility.

"Qualifying ethanol production facility" or "facility"
means a facility located in Hawaii which produces motor fuel
grade ethanol meeting the minimum specifications by the American
(c) In the case of a taxable year in which the cumulative claims for the credit by the taxpayer of a qualifying ethanol production facility exceeds the cumulative investment made in the qualifying ethanol production facility by the taxpayer, only that portion that does not exceed the cumulative investment shall be claimed and allowed.

(d) The department of business, economic development, and tourism shall:

(1) Maintain records of the total amount of investment made by each taxpayer in a facility;

(2) Verify the amount of the qualifying investment;

(3) Total all qualifying and cumulative investments that the department of business, economic development, and tourism certifies; and

(4) Certify the total amount of the tax credit for each taxable year and the cumulative amount of the tax credit during the credit period.

Upon each determination, the department of business, economic development, and tourism shall issue a certificate to the taxpayer verifying the qualifying investment amounts, the credit amount certified for each taxable year, and the
cumulative amount of the tax credit during the credit period.

The taxpayer shall file the certificate with the taxpayer's tax
return with the department of taxation. Notwithstanding the
department of business, economic development, and tourism's
certification authority under this section, the director of
taxation may audit and adjust certification to conform to the
facts.

If in any year, the annual amount of certified credits
reaches $12,000,000 in the aggregate, the department of
business, economic development, and tourism shall immediately
discontinue certifying credits and notify the department of
taxation. In no instance shall the total amount of certified
credits exceed $12,000,000 per year. Notwithstanding any other
law to the contrary, this information shall be available for
public inspection and dissemination under chapter 92F.

(e) If the credit under this section exceeds the
taxpayer's income tax liability, the excess of credit over
liability shall be refunded to the taxpayer, provided that no
refunds or payments on account of the tax credit allowed by this
section shall be made for amounts less than $1. All claims for
a credit under this section must be properly filed on or before
the end of the twelfth month following the close of the taxable
year for which the credit may be claimed. Failure to comply
with the foregoing provision shall constitute a waiver of the
right to claim the credit.

(f) If a qualifying ethanol production facility or an
interest therein is acquired by a taxpayer prior to the
expiration of the credit period, the credit allowable under
subsection (a) for any period after such acquisition shall be
equal to the credit that would have been allowable under
subsection (a) to the prior taxpayer had the taxpayer not
disposed of the interest. If an interest is disposed of during
any year for which the credit is allowable under subsection (a),
the credit shall be allowable between the parties on the basis
of the number of days during the year the interest was held by
each taxpayer. In no case shall the credit allowed under
subsection (a) be allowed after the expiration of the credit
period.

(g) Once the total nameplate capacities of qualifying
ethanol production facilities built within the State reaches or
exceeds a level of forty million gallons per year, credits under
this section shall not be allowed for new ethanol production
facilities.
facilities. If a new facility's production capacity would cause the statewide ethanol production capacity to exceed forty million gallons per year, only the ethanol production capacity that does not exceed the statewide forty million gallon per year level shall be eligible for the credit.

(h) Prior to construction of any new qualifying ethanol production facility, the taxpayer shall provide written notice of the taxpayer's intention to begin construction of a qualifying ethanol production facility. The information shall be provided to the department of taxation and the department of business, economic development, and tourism on forms provided by the department of business, economic development, and tourism, and shall include information on the taxpayer, facility location, facility production capacity, anticipated production start date, and the taxpayer's contact information.

Notwithstanding any other law to the contrary, this information shall be available for public inspection and dissemination under chapter 92F.

(i) The taxpayer shall provide written notice to the director of taxation and the director of business, economic development, and tourism within thirty days following the start
of production. The notice shall include the production start date and expected ethanol fuel production for the next twenty-four months. Notwithstanding any other law to the contrary, this information shall be available for public inspection and dissemination under chapter 92F.

(j) If a qualifying ethanol production facility fails to achieve an average annual production of at least seventy-five percent of its nameplate capacity for two consecutive years, the stated capacity of that facility may be revised by the director of business, economic development, and tourism to reflect actual production for the purposes of determining statewide production capacity under subsection (g) and allowable credits for that facility under subsection (a). Notwithstanding any other law to the contrary, this information shall be available for public inspection and dissemination under chapter 92F.

(k) Each calendar year during the credit period, the taxpayer shall provide information to the director of business, economic development, and tourism on the number of gallons of ethanol produced and sold during the previous calendar year, how much was sold in Hawaii versus overseas, feedstocks used for
ethanol production, the number of employees of the facility, and
the projected number of gallons of ethanol production for the
succeeding year.

(1) In the case of a partnership, S corporation, estate,
or trust, the tax credit allowable is for every qualifying
ethanol production facility. The cost upon which the tax credit
is computed shall be determined at the entity level.
Distribution and share of credit shall be determined pursuant to
section 235-110.7(a).

(m) Following each year in which a credit under this
section has been claimed, the director of business, economic
development, and tourism shall submit a written report to the
governor and legislature regarding the production and sale of
ethanol. The report shall include:

(1) The number, location, and nameplate capacities of
qualifying ethanol production facilities in the State;

(2) The total number of gallons of ethanol produced and
sold during the previous year; and

(3) The projected number of gallons of ethanol production
for the succeeding year.
(n) The director of taxation shall prepare forms that may be necessary to claim a credit under this section.

Notwithstanding the department of business, economic development, and tourism's certification authority under this section, the director may audit and adjust certification to conform to the facts. The director may also require the taxpayer to furnish information to ascertain the validity of the claim for credit made under this section and may adopt rules necessary to effectuate the purposes of this section pursuant to chapter 91."

SECTION 4. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

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

SECTION 6. This Act shall take effect on July 1, 2015, and shall apply to taxable years beginning after December 31, 2015; provided that section 2 shall be repealed on June 30, 2020.
S.B. NO. 349
S.D. 2
H.D. 2
C.D. 1

APPROVED this day of , 2015

GOVERNOR OF THE STATE OF HAWAII
July 9, 2105

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 9, 2105, the following bill was signed into law:

SB555 SD1 HD1 CD1 RELATING TO TAX CREDITS
ACT 223 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

SECTION 1. The purpose of this Act is to increase the refundable food/excise tax credit.

SECTION 2. Section 235-55.85, Hawaii Revised Statutes, is amended as follows:

1. By amending subsections (a), (b), and (c) to read:

"(a) Each individual taxpayer, who files an individual income tax return for a taxable year, and who is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes, may claim a refundable food/excise tax credit against the taxpayer's individual income tax liability for the taxable year for which the individual income tax return is being filed; provided that an individual who has no income or no income taxable under this chapter and who is not claimed or is not otherwise eligible to be claimed as a dependent by a taxpayer for federal or Hawaii state individual income tax purposes may claim this credit."
(b) Each individual taxpayer may claim a refundable food/excise tax credit multiplied by the number of qualified exemptions to which the taxpayer is entitled in accordance with the table below; provided that a husband and wife filing separate tax returns for a taxable year for which a joint return could have been filed by them shall claim only the tax credit to which they would have been entitled had a joint return been filed.

<table>
<thead>
<tr>
<th>Adjusted gross income for taxpayers filing a single return</th>
<th>Credit per exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $5,000</td>
<td>[§85] $110</td>
</tr>
<tr>
<td>$5,000 under $10,000</td>
<td>[§5] $100</td>
</tr>
<tr>
<td>$10,000 under $15,000</td>
<td>[§5] $85</td>
</tr>
<tr>
<td>$15,000 under $20,000</td>
<td>[§5] $70</td>
</tr>
<tr>
<td>$20,000 under $30,000</td>
<td>[§5] $55</td>
</tr>
<tr>
<td>$30,000 [under $40,000]</td>
<td>$0</td>
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<tr>
<td>$40,000 under $50,000</td>
<td>$25</td>
</tr>
<tr>
<td>$50,000 and over</td>
<td>$0</td>
</tr>
</tbody>
</table>
Adjusted gross income

Credit per exemption

for heads of household,
mixed individuals filing
separate returns, and
mixed couples filing
joint returns

Under $5,000 $110
$5,000 under $10,000 $100
$10,000 under $15,000 $85
$15,000 under $20,000 $70
$20,000 under $30,000 $55
$30,000 under $40,000 $45
$40,000 under $50,000 $35
$50,000 and over $0

(c) For the purposes of this section, a qualified exemption is defined to include those exemptions permitted under this chapter; provided that no additional exemption may be claimed by a taxpayer who is sixty-five years of age or older; provided that a person for whom exemption is claimed has been physically [resided] present in the State for more than nine months during the taxable year; and provided further that
multiple exemptions shall not be granted because of deficiencies in vision or hearing, or other disability. For purposes of claiming this credit only, a minor child receiving support from the department of human services of the State, social security survivor's benefits, and the like, may be considered a dependent and a qualified exemption of the parent or guardian."

2. By amending subsection (e) to read:

"(e) The tax credits claimed by a [resident] taxpayer pursuant to this section shall be deductible from the [resident] taxpayer's individual income tax liability, if any, for the tax year in which they are properly claimed. If the tax credits claimed by a [resident] taxpayer exceed the amount of income tax payment due from the [resident] taxpayer, the excess of credits over payments due shall be refunded to the [resident] taxpayer; provided that tax credits properly claimed by a [resident] individual who has no income tax liability shall be paid to the [resident] individual; and provided further that no refunds or payment on account of the tax credits allowed by this section shall be made for amounts less than $1."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2015; provided that this Act shall be repealed on December 31, 2017, and section 235-55.85, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day prior to the effective date of this Act.
June 12, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii'i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 12, 2015, the following bill was signed into law:

HB1140 HD1 SD2 CD1 RELATING TO CESSPOOLS  
ACT 120 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawaii'i
A BILL FOR AN ACT

RELATING TO CESSPOOLS.

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

SECTION 1. The legislature finds that the State's streams, groundwater, and ocean are being harmed by water pollution from nonpoint contamination sources that flow off the land directly, rather than through pipes or ditches. Cesspools constitute a nonpoint contamination source of grave concern. These substandard systems are essentially holes in the ground that discharge raw, untreated sewage. Groundwater, drinking water sources, streams, and the ocean are contaminated by cesspool pollution from systems that do not treat wastewater, but merely dispose of it.

The legislature further finds that cesspools in Hawaii release approximately 55,000,000 gallons of untreated sewage into the ground each day. There are approximately 90,000 cesspools in the State, with nearly 50,000 located on Hawaii island, approximately 14,000 on Kauai, over 12,000 on Maui, over 11,000 on Oahu, and over 1,400 on Molokai. Reducing the number of cesspools in the State is a matter of great importance. The legislature additionally finds that cesspools near drinking
water wells or within two hundred feet of surface waters and cesspools that are connected to multiple residential dwellings present a higher risk of harm to public health and the environment and should be prioritized by the department of health for upgrade. The department of health indicates that there are approximately 6,860 cesspools in those priority locations.

Priority should be given to cesspool owners who request financial assistance to upgrade, convert, or connect cesspools that: affect public drinking water wells; are within two hundred feet of the shoreline, streams, or wetlands; or are connected to multiple residential dwellings.

The purpose of this Act is to offer financial assistance to owners of cesspools who:

(1) Upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system; or

(2) Connect a qualified cesspool to a sewer system, by establishing a cesspool upgrade, conversion, or connection income tax credit.
SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:

"§235- Cesspool upgrade, conversion, or connection income tax credit. (a) There shall be allowed to each taxpayer subject to the tax imposed under this chapter, a cesspool upgrade, conversion, or connection income tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified expenses incurred by the entity for the taxable year. The expenses upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined by rule.

(c) The cesspool upgrade, conversion, or connection income tax credit shall be equal to the qualified expenses of the taxpayer, up to a maximum of $10,000; provided that, in the case of a qualified cesspool that is a residential large capacity cesspool, the amount of the credit shall be equal to the
qualified expenses of the taxpayer, up to a maximum of $10,000 per residential dwelling connected to the cesspool, as certified by the department of health pursuant to subsection (e). There shall be allowed a maximum of one cesspool upgrade, conversion, or connection income tax credit per qualified cesspool. The cesspool upgrade, conversion, or connection income tax credit shall be available only for the taxable year in which the taxpayer's qualified expenses are certified by the appropriate government agency.

(d) The total amount of tax credits allowed under this section shall not exceed $5,000,000 for all taxpayers in any taxable year; provided that any taxpayer who is not eligible to claim the credit in a taxable year due to the $5,000,000 cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

(e) The department of health shall:

(1) Certify all qualified cesspools for the purposes of this section; provided that, as a pilot program, the department of health, in its discretion, may certify no more than two residential large capacity cesspools as qualified cesspools;
(2) Collect and maintain a record of all qualified expenses certified by an appropriate government agency for the taxable year; and

(3) Certify to each taxpayer the amount of credit the taxpayer may claim; provided that if, in any year, the annual amount of certified credits reaches $5,000,000 in the aggregate, the department of health shall immediately discontinue certifying credits and notify the department of taxation.

The director of health may adopt rules under chapter 91 as necessary to implement the certification requirements under this section.

(f) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

(3) May adopt rules under chapter 91 necessary to effectuate the purposes of this section.
(g) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(h) This section shall not apply to taxable years beginning after December 31, 2020.

(i) As used in this section:

"Aerobic treatment unit system" means an individual wastewater system that consists of an aerobic treatment unit tank, aeration device, piping, and a discharge method that is in accordance with rules adopted by the department of health relating to household aerobic units.

"Cesspool" means an individual wastewater system consisting of an excavation in the ground whose depth is greater than its widest surface dimension, which receives untreated wastewater, and retains or is designed to retain the organic matter and
solids discharged into it, but permits the liquid to seep through its bottom or sides to gain access to the underground geographic formation.

"Qualified cesspool" means a cesspool that is certified by the department of health as being:

(1) Located within:

(A) Two hundred feet of a shoreline, perennial stream, or wetland; or

(B) A source water assessment program area (two year time of travel from a cesspool to a public drinking water source); or

(2) A residential large capacity cesspool.

"Qualified expenses" means costs that are necessary and directly incurred by the taxpayer for upgrading or converting a qualified cesspool into a septic system or an aerobic treatment unit system, or connecting a qualified cesspool to a sewer system, and that are certified as such by the appropriate government agency.

"Residential large capacity cesspool" means a cesspool that is connected to more than one residential dwelling.
"Septic system" means an individual wastewater system that typically consists of a septic tank, piping, and a drainage field where there is natural biological decontamination as wastewater discharged into the system is filtered through soil.

"Sewer system" means a system of piping, with appurtenances, for collecting and conveying wastewater from source to discharge following treatment.

"Wastewater" means any liquid waste, whether or not treated and whether animal, mineral, or vegetable, including agricultural, industrial, and thermal wastes."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2015, and shall apply to taxable years beginning after December 31, 2015; provided that this Act shall be repealed on December 31, 2020.
June 5, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 5, 2015, the following bill was signed into law:

SB971 SD1 HD1 CD1 RELATING TO TAXATION ACT 095 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. Section 201H-36, Hawaii Revised Statutes, is amended to read as follows:

"[§201H-36][1] Exemption from general excise taxes. (a) In accordance with section 237-29, the corporation may approve and certify for exemption from general excise taxes any qualified person or firm involved with a newly constructed, or moderately or substantially rehabilitated project:

(1) Developed under this part;

(2) Developed under a government assistance program approved by the corporation, including but not limited to the United States Department of Agriculture 502 program and Federal Housing Administration 235 program;

(3) Developed under the sponsorship of a private nonprofit organization providing home rehabilitation or new homes for qualified families in need of decent, low-cost housing; or
(4) Developed by a qualified person or firm to provide affordable rental housing where at least fifty per cent of the available units are for households with incomes at or below eighty per cent of the area median family income as determined by the United States Department of Housing and Urban Development, of which at least twenty per cent of the available units are for households with incomes at or below sixty per cent of the area median family income as determined by the United States Department of Housing and Urban Development.

(b) To obtain certification for exemption under this section, rental housing projects shall, unless exempted by the corporation, enter into a regulatory agreement with the corporation to ensure the project's continued compliance with the applicable eligibility requirements set forth in subsection (a), as follows:

(1) For moderate rehabilitation projects, a minimum term of five years as specified in a regulatory agreement;
(2) For substantial rehabilitation projects, a minimum term of ten years as specified in a regulatory agreement; or

(3) For new construction projects, a minimum term of thirty years from the date of issuance of the certificate of occupancy.

[(b)] (c) All claims for exemption under this section shall be filed with and certified by the corporation and forwarded to the department of taxation. Any claim for exemption that is filed and approved, shall not be considered a subsidy for the purpose of this part.

[(c)] (d) For the purposes of this section:

"Moderate rehabilitation" means rehabilitation to upgrade a dwelling unit to a decent, safe, and sanitary condition, or to repair or replace major building systems or components in danger of failure.

"Substantial rehabilitation":

(1) Means the improvement of a property to a decent, safe, and sanitary condition that requires more than routine or minor repairs or improvements. It may include but

is not limited to the gutting and extensive
reconstruction of a dwelling unit, or cosmetic improvements coupled with the curing of a substantial accumulation of deferred maintenance; and

(2) Includes renovation, alteration, or remodeling to convert or adapt structurally sound property to the design and condition required for a specific use, such as conversion of a hotel to housing for elders.

[(e)] (e) The corporation may establish, revise, charge, and collect a reasonable service fee, as necessary, in connection with its approvals and certifications under this section. The fees shall be deposited into the dwelling unit revolving fund."

SECTION 2. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2015, and shall apply to projects with an initial certification date after June 30, 2015.

APPROVED this 5 day of JUN, 2015

[Signature]

GOVERNOR OF THE STATE OF HAWAII
May 1, 2015

The Honorable Donna Mercado Kim, President and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker and Members of the House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 1, 2015, the following bill was signed into law:

SB1212 SD1 RELATING TO AMENDING OR REPEALING VARIOUS PROVISIONS OF HAWAII TAX LAWS FOR THE PURPOSE OF DELETING OBSOLETE OR UNNECESSARY PROVISIONS
ACT 022 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO AMENDING OR REPEALING VARIOUS PROVISIONS OF HAWAII TAX LAWS FOR THE PURPOSE OF DELETING OBSOLETE OR UNNECESSARY PROVISIONS.

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

SECTION 1. The legislature finds that sections of the general excise tax and public service company tax laws contain provisions that were to phase in the effect of certain amendments over several years. However, the phase-in periods for those provisions have long since ended, making those provisions obsolete.

The purpose of this Act is to repeal the obsolete provisions in the general excise tax and public service company tax laws.

SECTION 2. Section 237-4, Hawaii Revised Statutes, is amended to read as follows:

"§237-4 "Wholesaler", "jobber", defined. (a) "Wholesaler" or "jobber" applies only to a person making sales at wholesale. Only the following are sales at wholesale:

(1) Sales to a licensed retail merchant, jobber, or other licensed seller for purposes of resale;
(2) Sales to a licensed manufacturer of materials or commodities that are to be incorporated by the manufacturer into a finished or saleable product (including the container or package in which the product is contained) during the course of its preservation, manufacture, or processing, including preparation for market, and that will remain in such finished or saleable product in such form as to be perceptible to the senses, which finished or saleable product is to be sold and not otherwise used by the manufacturer;

(3) Sales to a licensed producer or cooperative association of materials or commodities that are to be incorporated by the producer or by the cooperative association into a finished or saleable product that is to be sold and not otherwise used by the producer or cooperative association, including specifically materials or commodities expended as essential to the planting, growth, nurturing, and production of commodities that are sold by the producer or by the cooperative association;
(4) Sales to a licensed contractor, of materials or commodities that are to be incorporated by the contractor into the finished work or project required by the contract and that will remain in such finished work or project in such form as to be perceptible to the senses;

(5) Sales to a licensed producer, or to a cooperative association described in section 237-23(a)(7) for sale to a licensed producer, or to a licensed person operating a feed lot, of poultry or animal feed, hatching eggs, semen, replacement stock, breeding services for the purpose of raising or producing animal or poultry products for disposition as described in section 237-5 or for incorporation into a manufactured product as described in paragraph (2) or for the purpose of breeding, hatching, milking, or egg laying other than for the customer's own consumption of the meat, poultry, eggs, or milk so produced; provided that in the case of a feed lot operator, only the segregated cost of the feed furnished by the feed lot operator as part of the feed lot operator's
service to a licensed producer of poultry or animals
to be butchered or to a cooperative association
described in section 237-23(a)(7) of such licensed
producers shall be deemed to be a sale at wholesale;
and provided further that any amount derived from the
furnishing of feed lot services, other than the
segregated cost of feed, shall be deemed taxable at
the service business rate. This paragraph shall not
apply to the sale of feed for poultry or animals to be
used for hauling, transportation, or sports purposes;
(6) Sales to a licensed producer, or to a cooperative
association described in section 237-23(a)(7) for sale
to the producer, of seed or seedstock for producing
agricultural and aquacultural products, or bait for
catching fish (including the catching of bait for
catching fish), which agricultural and aquacultural
products or fish are to be disposed of as described in
section 237-5 or to be incorporated in a manufactured
product as described in paragraph (2);
(7) Sales to a licensed producer, or to a cooperative
association described in section 237-23(a)(7) for sale
to such producer; of polypropylene shade cloth; of polyfilm; of polyethylene film; of cartons and such other containers, wrappers, and sacks, and binders to be used for packaging eggs, vegetables, fruits, and other agricultural and aquacultural products; of seedlings and cuttings for producing nursery plants or aquacultural products; or of chick containers; which cartons and such other containers, wrappers, and sacks, binders, seedlings, cuttings, and containers are to be used as described in section 237-5, or to be incorporated in a manufactured product as described in paragraph (2);

(8) Sales of tangible personal property where:

(A) Tangible personal property is sold upon the order or request of a licensed seller for the purpose of rendering a service in the course of the person's service business or calling, or upon the order or request of a person subject to tax under section 237D-2 for the purpose of furnishing transient accommodations;
(B) The tangible personal property becomes or is used as an identifiable element of the service rendered; and

(C) The cost of the tangible personal property does not constitute overhead to the licensed seller;

[the sale shall be subject to section 237-13.3-1]

(9) Sales to a licensed leasing company of capital goods that have a depreciable life, are purchased by the leasing company for lease to its customers, and are thereafter leased as a service to others;

(10) Sales of services to a licensed seller engaging in a business or calling whenever:

(A) Either:

(i) In the context of a service-to-service transaction, a service is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling, including a dealer's furnishing of goods or services to the purchaser of tangible personal property to fulfill a
warranty obligation of the manufacturer of
the property;

(ii) In the context of a service-to-tangible
personal property transaction, a service is
rendered upon the order or request of a
licensed seller for the purpose of
manufacturing, producing, or preparing
tangible personal property to be sold;

(iii) In the context of a services-to-contracting
transaction, a service is rendered upon the
order or request of a licensed contractor as
defined in section 237-6 for the purpose of
assisting that licensed contractor; or

(iv) In the context of a services-to-transient
accommodations rental transaction, a service
is rendered upon the order or request of a
person subject to tax under section 237D-2
for the purpose of furnishing transient
accommodations;

(B) The benefit of the service passes to the customer
of the licensed seller, licensed contractor, or
person furnishing transient accommodations as an
identifiable element of the other service or
property to be sold, the contracting, or the
furnishing of transient accommodations;

(C) The cost of the service does not constitute
overhead to the licensed seller, licensed
contractor, or person furnishing transient
accommodations;

(D) The gross income of the licensed seller is not
divided between the licensed seller and another
licensed seller, contractor, or person furnishing
transient accommodations for imposition of the
tax under this chapter;

(E) The gross income of the licensed seller is not
subject to a deduction under this chapter or
chapter 237D; and

(F) The resale of the service, tangible personal
property, contracting, or transient
accommodations is subject to the tax imposed
under this chapter at the highest tax rate.
[Sales subject to this paragraph shall be subject to section 237-13.3+]

(11) Sales to a licensed retail merchant, jobber, or other licensed seller of bulk condiments or prepackaged single-serving packets of condiments that are provided to customers by the licensed retail merchant, jobber, or other licensed seller;

(12) Sales to a licensed retail merchant, jobber, or other licensed seller of tangible personal property that will be incorporated or processed by the licensed retail merchant, jobber, or other licensed seller into a finished or saleable product during the course of its preparation for market (including disposable, nonreturnable containers, packages, or wrappers, in which the product is contained and that are generally known and most commonly used to contain food or beverage for transfer or delivery), and which finished or saleable product is to be sold and not otherwise used by the licensed retail merchant, jobber, or other licensed seller;
(13) Sales of amusements subject to taxation under section 237-13(4) to a licensed seller engaging in a business or calling whenever:

(A) Either:

(i) In the context of an amusement-to-service transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling;

(ii) In the context of an amusement-to-tangible personal property transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of selling tangible personal property; or

(iii) In the context of an amusement-to-amusement transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another amusement in the course of the person's amusement business;
(B) The benefit of the amusement passes to the
customer of the licensed seller as an
identifiable element of the other service,
tangible personal property to be sold, or
amusement;

(C) The cost of the amusement does not constitute
overhead to the licensed seller;

(D) The gross income of the licensed seller is not
divided between the licensed seller and another
licensed seller, person furnishing transient
accommodations, or person rendering an amusement
for imposition of the tax under chapter 237;

(E) The gross income of the licensed seller is not
subject to a deduction under this chapter; and

(F) The resale of the service, tangible personal
property, or amusement is subject to the tax
imposed under this chapter at the highest rate.

As used in this paragraph, "amusement" means
entertainment provided as part of a show for which
there is an admission charge[—Sales subject to this
paragraph shall be subject to section 237-13.3]; and
(14) Sales by a printer to a publisher of magazines or similar printed materials containing advertisements, when the publisher is under contract with the advertisers to distribute a minimum number of magazines or similar printed materials to the public or defined segment of the public, whether or not there is a charge to the persons who actually receive the magazines or similar printed materials.

(b) If the use tax law is finally held by a court of competent jurisdiction to be unconstitutional or invalid insofar as it purports to tax the use or consumption of tangible personal property imported into the State in interstate or foreign commerce or both, wholesalers and jobbers shall be taxed thereafter under this chapter in accordance with the following definition (which shall supersede the preceding paragraph otherwise defining "wholesaler" or "jobber"): "Wholesaler" or "jobber" means a person, or a definitely organized division thereof, definitely organized to render and rendering a general distribution service that buys and maintains at the person's place of business a stock or lines of merchandise that the person distributes; and that the person, through salespersons,
advertising, or sales promotion devices, sells to licensed
retailers, to institutional or licensed commercial or industrial
users, in wholesale quantities and at wholesale rates. A
corporation deemed not to be carrying on a trade or business in
this State under section 235-6 shall nevertheless be deemed to
be a wholesaler and shall be subject to the tax imposed by this
chapter."

SECTION 3. Section 237-13, Hawaii Revised Statutes, is
amended to read as follows:

"§237-13 Imposition of tax. There is hereby levied and
shall be assessed and collected annually privilege taxes against
persons on account of their business and other activities in the
State measured by the application of rates against values of
products, gross proceeds of sales, or gross income, whichever is
specified, as follows:

(1) Tax on manufacturers.

(A) Upon every person engaging or continuing within
the State in the business of manufacturing,

including compounding, canning, preserving,

packing, printing, publishing, milling,

processing, refining, or preparing for sale,
profit, or commercial use, either directly or
through the activity of others, in whole or in
part, any article or articles, substance or
substances, commodity or commodities, the amount
of the tax to be equal to the value of the
articles, substances, or commodities,
manufactured, compounded, canned, preserved,
packed, printed, milled, processed, refined, or
prepared for sale, as shown by the gross proceeds
derived from the sale thereof by the manufacturer
or person compounding, preparing, or printing
them, multiplied by one-half of one per cent.

(B) The measure of the tax on manufacturers is the
value of the entire product for sale, regardless
of the place of sale or the fact that deliveries
may be made to points outside the State.

(C) If any person liable for the tax on manufacturers
ships or transports the person's product, or any
part thereof, out of the State, whether in a
finished or unfinished condition, or sells the
same for delivery to points outside the State
(for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), the value of the products in the condition or form in which they exist immediately before entering interstate or foreign commerce, determined as hereinafter provided, shall be the basis for the assessment of the tax imposed by this paragraph. This tax shall be due and payable as of the date of entry of the products into interstate or foreign commerce, whether the products are then sold or not. The department shall determine the basis for assessment, as provided by this paragraph, as follows:

(i) If the products at the time of their entry into interstate or foreign commerce already have been sold, the gross proceeds of sale, less the transportation expenses, if any, incurred in realizing the gross proceeds for transportation from the time of entry of the products into interstate or foreign commerce, including insurance and storage in
transit, shall be the measure of the value
of the products;

(ii) If the products have not been sold at the
time of their entry into interstate or
foreign commerce, and in cases governed by
clause (i) in which the products are sold
under circumstances such that the gross
proceeds of sale are not indicative of the
true value of the products, the value of the
products constituting the basis for
assessment shall correspond as nearly as
possible to the gross proceeds of sales for
delivery outside the State, adjusted as
provided in clause (i), or if sufficient
data are not available, sales in the State,
of similar products of like quality and
character and in similar quantities, made by
the taxpayer (unless not indicative of the
true value) or by others. Sales outside the
State, adjusted as provided in clause (i),
may be considered when they constitute the
best available data. The department shall
prescribe uniform and equitable rules for
ascertaining the values;

(iii) At the election of the taxpayer and with the
approval of the department, the taxpayer may
make the taxpayer's returns under clause (i)
even though the products have not been sold
at the time of their entry into interstate
or foreign commerce; and

(iv) In all cases in which products leave the
State in an unfinished condition, the basis
for assessment shall be adjusted so as to
deduct the portion of the value as is
attributable to the finishing of the goods
outside the State.

(2) Tax on business of selling tangible personal property;
producing.

(A) Upon every person engaging or continuing in the
business of selling any tangible personal
property whatsoever (not including, however,
bonds or other evidence of indebtedness, or
stocks), there is likewise hereby levied, and shall be assessed and collected, a tax equivalent to four per cent of the gross proceeds of sales of the business; provided that, in the case of a wholesaler, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business; and provided further that insofar as the sale of tangible personal property is a wholesale sale under section 237-4(a)(8), the tax shall be one-half of one per cent of the gross proceeds. Upon every person engaging or continuing within this State in the business of a producer, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business, or the value of the products, for sale, if sold for delivery outside the State or shipped or transported out of the State, and the value of the products shall be determined in the same manner as the value of manufactured products covered in the cases under paragraph (1)(C).
(B) Gross proceeds of sales of tangible property in interstate and foreign commerce shall constitute a part of the measure of the tax imposed on persons in the business of selling tangible personal property, to the extent, under the conditions, and in accordance with the provisions of the Constitution of the United States and the Acts of the Congress of the United States which may be now in force or may be hereafter adopted, and whenever there occurs in the State an activity to which, under the Constitution and Acts of Congress, there may be attributed gross proceeds of sales, the gross proceeds shall be so attributed.

(C) No manufacturer or producer, engaged in such business in the State and selling the manufacturer's or producer's products for delivery outside of the State (for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), shall be required to pay the tax imposed in this chapter for the
privilege of so selling the products, and the
value or gross proceeds of sales of the products
shall be included only in determining the measure
of the tax imposed upon the manufacturer or
producer.

(D) When a manufacturer or producer, engaged in such
business in the State, also is engaged in selling
the manufacturer's or producer's products in the
State at wholesale, retail, or in any other
manner, the tax for the privilege of engaging in
the business of selling the products in the State
shall apply to the manufacturer or producer as
well as the tax for the privilege of
manufacturing or producing in the State, and the
manufacturer or producer shall make the returns
of the gross proceeds of the wholesale, retail,
or other sales required for the privilege of
selling in the State, as well as making the
returns of the value or gross proceeds of sales
of the products required for the privilege of
manufacturing or producing in the State. The
manufacturer or producer shall pay the tax imposed in this chapter for the privilege of selling its products in the State, and the value or gross proceeds of sales of the products, thus subjected to tax, may be deducted insofar as duplicated as to the same products by the measure of the tax upon the manufacturer or producer for the privilege of manufacturing or producing in the State; provided that no producer of agricultural products who sells the products to a purchaser who will process the products outside the state shall be required to pay the tax imposed in this chapter for the privilege of producing or selling those products.

(E) A taxpayer selling to a federal cost-plus contractor may make the election provided for by paragraph (3)(C), and in that case the tax shall be computed pursuant to the election, notwithstanding this paragraph or paragraph (1) to the contrary.
(F) The department, by rule, may require that a seller take from the purchaser of tangible personal property a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any purchaser who furnishes a certificate shall be obligated to pay to the seller, upon demand, the amount of the additional tax that is imposed upon the seller whenever the sale in fact is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the sales of the business are exclusively at wholesale.

(3) Tax upon contractors.

(A) Upon every person engaging or continuing within the State in the business of contracting, the tax shall be equal to four per cent of the gross income of the business.

(B) In computing the tax levied under this paragraph, there shall be deducted from the gross income of
the taxpayer so much thereof as has been included
in the measure of the tax levied under
subparagraph (A), on:

(i) Another taxpayer who is a contractor, as
defined in section 237-6;

(ii) A specialty contractor, duly licensed by the
department of commerce and consumer affairs
pursuant to section 444-9, in respect of the
specialty contractor's business; or

(iii) A specialty contractor who is not licensed
by the department of commerce and consumer
affairs pursuant to section 444-9, but who
performs contracting activities on federal
military installations and nowhere else in
this State;

provided that any person claiming a deduction
under this paragraph shall be required to show in
the person's return the name and general excise
number of the person paying the tax on the amount
deducted by the person.
(C) In computing the tax levied under this paragraph against any federal cost-plus contractor, there shall be excluded from the gross income of the contractor so much thereof as fulfills the following requirements:

(i) The gross income exempted shall constitute reimbursement of costs incurred for materials, plant, or equipment purchased from a taxpayer licensed under this chapter, not exceeding the gross proceeds of sale of the taxpayer on account of the transaction; and

(ii) The taxpayer making the sale shall have certified to the department that the taxpayer is taxable with respect to the gross proceeds of the sale, and that the taxpayer elects to have the tax on gross income computed the same as upon a sale to the state government.

(D) A person who, as a business or as a part of a business in which the person is engaged, erects,
constructs, or improves any building or structure, of any kind or description, or makes, constructs, or improves any road, street, sidewalk, sewer, or water system, or other improvements on land held by the person (whether held as a leasehold, fee simple, or otherwise), upon the sale or other disposition of the land or improvements, even if the work was not done pursuant to a contract, shall be liable to the same tax as if engaged in the business of contracting, unless the person shows that at the time the person was engaged in making the improvements the person intended, and for the period of at least one year after completion of the building, structure, or other improvements the person continued to intend to hold and not sell or otherwise dispose of the land or improvements. The tax in respect of the improvements shall be measured by the amount of the proceeds of the sale or other disposition that is attributable to the erection,
construction, or improvement of such building or structure, or the making, constructing, or improving of the road, street, sidewalk, sewer, or water system, or other improvements. The measure of tax in respect of the improvements shall not exceed the amount which would have been taxable had the work been performed by another, subject as in other cases to the deductions allowed by subparagraph (B). Upon the election of the taxpayer, this paragraph may be applied notwithstanding that the improvements were not made by the taxpayer, or were not made as a business or as a part of a business, or were made with the intention of holding the same. However, this paragraph shall not apply in respect of any proceeds that constitute or are in the nature of rent; all such gross income shall be taxable under paragraph (9); provided that insofar as the business of renting or leasing real property under a lease is taxed under section 237-16.5, the tax shall be levied by section 237-16.5.
(4) Tax upon theaters, amusements, radio broadcasting stations, etc.

(A) Upon every person engaging or continuing within the State in the business of operating a theater, opera house, moving picture show, vaudeville, amusement park, dance hall, skating rink, radio broadcasting station, or any other place at which amusements are offered to the public, the tax shall be equal to four per cent of the gross income of the business, and in the case of a sale of an amusement at wholesale under section 237-4(a)(13), the tax shall be [subject to section 237-13.3] one-half of one per cent of the gross income.

(B) The department may require that the person rendering an amusement at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the
person rendering the amusement, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering the amusement at wholesale.

(5) Tax upon sales representatives, etc. Upon every person classified as a representative or purchasing agent under section 237-1, engaging or continuing within the State in the business of performing services for another, other than as an employee, there is likewise hereby levied and shall be assessed and collected a tax equal to four per cent of the commissions and other compensation attributable to the services so rendered by the person.

(6) Tax on service business.

(A) Upon every person engaging or continuing within the State in any service business or calling
including professional services not otherwise specifically taxed under this chapter, there is likewise hereby levied and shall be assessed and collected a tax equal to four per cent of the gross income of the business, and in the case of a wholesaler under section 237-4(a)(10), the tax shall be equal to one-half of one per cent of the gross income of the business. \(\text{[Notwithstanding the foregoing, a wholesaler under section 237-4(a)(10) shall be subject to section 237-13.3.]}\)

(B) The department may require that the person rendering a service at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the person rendering the service, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and
(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering services at wholesale.

(C) Where any person is engaged in the business of selling interstate or foreign common carrier telecommunication services within and without the State, other than as a home service provider, the tax shall be imposed on that portion of gross income received by a person from service which is originated or terminated in this State and is charged to a telephone number, customer, or account in this State notwithstanding any other state law (except for the exemption under section 237-23(a)(1)) to the contrary. If, under the Constitution and laws of the United States, the entire gross income as determined under this paragraph of a business selling interstate or foreign common carrier telecommunication services cannot be included in the measure of the tax, the
gross income shall be apportioned as provided in section 237-21; provided that the apportionment factor and formula shall be the same for all persons providing those services in the State.

(D) Where any person is engaged in the business of a home service provider, the tax shall be imposed on the gross income received or derived from providing interstate or foreign mobile telecommunications services to a customer with a place of primary use in this State when such services originate in one state and terminate in another state, territory, or foreign country; provided that all charges for mobile telecommunications services which are billed by or for the home service provider are deemed to be provided by the home service provider at the customer's place of primary use, regardless of where the mobile telecommunications originate, terminate, or pass through; provided further that the income from charges specifically derived from interstate or foreign mobile telecommunications
services, as determined by books and records that are kept in the regular course of business by the home service provider in accordance with section 239-24, shall be apportioned under any apportionment factor or formula adopted under subparagraph (C). Gross income shall not include:

(i) Gross receipts from mobile telecommunications services provided to a customer with a place of primary use outside this State;

(ii) Gross receipts from mobile telecommunications services that are subject to the tax imposed by chapter 239;

(iii) Gross receipts from mobile telecommunications services taxed under section 237-13.8; and

(iv) Gross receipts of a home service provider acting as a serving carrier providing mobile telecommunications services to another home service provider's customer.
For the purposes of this paragraph, "charges for mobile telecommunications services", "customer", "home service provider", "mobile telecommunications services", "place of primary use", and "serving carrier" have the same meaning as in section 239-22.

(7) Tax on insurance producers. Upon every person engaged as a licensed producer pursuant to chapter 431, there is hereby levied and shall be assessed and collected a tax equal to 0.15 per cent of the commissions due to that activity.

(8) Tax on receipts of sugar benefit payments. Upon the amounts received from the United States government by any producer of sugar (or the producer's legal representative or heirs), as defined under and by virtue of the Sugar Act of 1948, as amended, or other Acts of the Congress of the United States relating thereto, there is hereby levied a tax of one-half of one per cent of the gross amount received; provided that the tax levied hereunder on any amount so received and actually disbursed to another by a
producer in the form of a benefit payment shall be paid by the person or persons to whom the amount is actually disbursed, and the producer actually making a benefit payment to another shall be entitled to claim on the producer's return a deduction from the gross amount taxable hereunder in the sum of the amount so disbursed. The amounts taxed under this paragraph shall not be taxable under any other paragraph, subsection, or section of this chapter.

(9) Tax on other business. Upon every person engaging or continuing within the State in any business, trade, activity, occupation, or calling not included in the preceding paragraphs or any other provisions of this chapter, there is likewise hereby levied and shall be assessed and collected, a tax equal to four per cent of the gross income thereof. In addition, the rate prescribed by this paragraph shall apply to a business taxable under one or more of the preceding paragraphs or other provisions of this chapter, as to any gross income thereof not taxed thereunder as gross income or
gross proceeds of sales or by taxing an equivalent
value of products, unless specifically exempted."

SECTION 4. Section 237-16.5, Hawaii Revised Statutes, is
amended by amending subsection (g) to read as follows:
"(g) After allocation under subsection (c), if necessary,
the deduction under this section shall be allowed from the gross
proceeds or gross income of the lessee received from its
sublease in an amount calculated by multiplying the gross
proceeds or gross income paid by the lessee to its lessor for
the lease of the real property by [the following amount:]

(1) In calendar year 1998, .125; 
(2) In calendar year 1999, .25; 
(3) In calendar year 2000, .375; 
(4) In calendar year 2001, .50; 
(5) In calendar year 2002, .625; 
(6) In calendar year 2003, .75; and
(7) In calendar year 2004, and thereafter, .875.

The amount calculated [under paragraphs (1) to (7)] shall
be deducted by the lessee from the lessee's total reported gross
proceeds or gross income. The deduction allowed by this
subsection may be taken by the fiscal and calendar year lessees."

SECTION 5. Section 238-2.3, Hawaii Revised Statutes, is amended to read as follows:

"§238-2.3 Imposition of tax on imported services or contracting; exemptions. There is hereby levied an excise tax on the value of services or contracting as defined in section 237-6 that are performed by an unlicensed seller at a point outside the State and imported or purchased for use in this State. The tax imposed by this chapter shall accrue when the service or contracting as defined in section 237-6 is received by the importer or purchaser and becomes subject to the taxing jurisdiction of the State. The rates of the tax hereby imposed and the exemptions from the tax are as follows:

(1) If the importer or purchaser is licensed under chapter 237 and is:

(A) Engaged in a service business or calling in which the imported or purchased services or contracting become identifiable elements, excluding overhead, of the services rendered by the importer or purchaser, and the gross income of the importer
or purchaser is subject to the tax imposed under chapter 237 on services at the rate of one-half of one per cent [ex the rate of tax imposed under section 237-13.3];

(B) A manufacturer importing or purchasing services or contracting that become identifiable elements, excluding overhead, of a finished or saleable product (including the container or package in which the product is contained) and the finished or saleable product is to be sold in a manner that results in a further tax on the manufacturer as a wholesaler, and not a retailer; or

(C) A contractor importing or purchasing contracting that become identifiable elements, excluding overhead, of the finished work or project required under the contract; provided that:

(i) The gross proceeds derived by the contractor are subject to the tax under section 237-13(3) as a contractor; and

(ii) The contractor could have deducted amounts paid to the subcontractor under section 237-
13(3)(B) if the subcontractor was subject to general excise tax under chapter 237; there shall be no tax imposed on the value of the imported or purchased services or contracting; provided that if the manufacturer is also engaged in business as a retailer as classified under chapter 237, paragraph (2) shall apply to the manufacturer, but the director of taxation shall refund to the manufacturer, in the manner provided under section 231-23(c), that amount of tax that the manufacturer, to the satisfaction of the director, shall establish to have been paid by the manufacturer to the director with respect to services that have been used by the manufacturer for the purposes stated in this paragraph.

(2) If the importer or purchaser is a person licensed under chapter 237 and is:

(A) Engaged in a service business or calling in which the imported or purchased services or contracting become identifiable elements, excluding overhead, of the services rendered by the importer or
purchaser, and the gross income from those
services when sold by the importer or purchaser
is subject to the tax imposed under chapter 237
at the highest rate;

(B) A manufacturer importing or purchasing services
or contracting that become identifiable elements,
excluding overhead, of the finished or saleable
manufactured product (including the container or
package in which the product is contained) and
the finished or saleable product is to be sold in
a manner that results in a further tax under
chapter 237 on the activity of the manufacturer
as a retailer; or

(C) A contractor importing or purchasing services
that become identifiable elements, excluding
overhead, of the finished work or project
required, under the contract, and where the gross
proceeds derived by the contractor are subject to
the tax under section 237-13(3) as a contractor,
the tax shall be one-half of one per cent of the value of the imported or purchased services or contracting;

and

(3) In all other cases, the importer or purchaser is subject to the tax at the rate of four per cent on the value of the imported or purchased services or contracting."

SECTION 6. Section 239-5, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) Notwithstanding subsection (a), the rate of tax upon the portion of the gross income of:

(1) A public utility that consists of the receipts from the sale of its products or services to another public utility that resells such products or services shall be one-half of one per cent; or

(2) A public utility engaged in the business of selling telecommunication services to a person defined in section 237-13(6)(C) who resells such products or services, shall be as follows:

(A) In calendar year 2000, 5.5 per cent;

(B) In calendar year 2001, 5.0 per cent;
(C) In calendar year 2002, 4.5 per cent;
(D) In calendar year 2003, 4.0 per cent;
(E) In calendar year 2004, 3.5 per cent;
(F) In calendar year 2005, 3.0 per cent;
(G) In calendar year 2006, 2.5 per cent; and
(H) In calendar year 2007, and thereafter, 0.5 per cent;

provided that the resale of the products, services, or telecommunication services is subject to taxation under this section or subject to taxation at the highest rate under section 237-13(6); and provided further that the public utility's exemption from real property taxes imposed by chapter 246 shall be reduced by the proportion that its public utility gross income described herein bears to its total public utility gross income. Whenever the public utility has other public utility gross income, the gross income from the sale of its products or services to another public utility or a person subject to section 237-13(6)(C) shall be included in applying subsection (a) in determining the rate of tax upon the other public utility gross income. The department shall have the authority to implement the tax rate changes in paragraph (2) by prescribing
tax forms and instructions that require tax reporting and payment by deduction, allocation, or any other method to determine tax liability with due regard to the tax rate changes.

SECTION 7. Section 239-6, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Notwithstanding subsections (a), (b), and (c), the rate of tax upon the portion of the gross income of a motor carrier which consists of the receipts from the sale of its products or services to a contractor shall be [as follows:]

(1) In calendar year 2000, 3.5 per cent;
(2) In calendar year 2001, 3.0 per cent;
(3) In calendar year 2002, 2.5 per cent;
(4) In calendar year 2003, 2.0 per cent;
(5) In calendar year 2004, 1.5 per cent;
(6) In calendar year 2005, 1.0 per cent; and
(7) In calendar year 2006, and thereafter, 0.5 per cent;]

one-half of one per cent;

provided that there is a resale of the products or services and the resale by the contractor is subject to taxation at the highest rate under section 237-13; the gross income of the motor
carrier is not divided as provided in the definition of "gross income" in section 239-2 for the tax imposed under this chapter or chapter 237; and the gross income of the motor carrier from the sale of its products or services to the contractor is not subject to a deduction under chapter 237 by the contractor; and in the case of services provided by the motor carrier, the benefit of the service passes to the customer of the contractor as an identifiable element of the contracting or service provided by the contractor and does not constitute overhead as defined in section 237-1.

[The department shall have the authority to implement the tax rate changes in paragraphs (1) through (7) by prescribing tax forms and instructions that require tax reporting and payment by deduction, allocation, or any other method to determine tax liability with due regard to the tax rate changes.]

For purposes of this subsection, "contractor" has the same meaning as defined in section 237-6."

SECTION 8. Section 237-13.3, Hawaii Revised Statutes, is repealed.
["§ 237-13.3  Application of sections 237-4(a)(8), 237-
4(a)(10), 237-4(a)(13), 237-13(2)(A), 237-13(4)(A), and 237-
13(6)(A). (a) Sections 237-4(a)(8), 237-4(a)(10), 237-
4(a)(13), 237-13(2)(A), 237-13(4)(A), and 237-13(6)(A) to the
contrary notwithstanding, instead of the tax levied under
section 237-13(2)(A) on wholesale sales subject to section 237-
4(a)(6)(B), under section 237-13(4)(A) on a wholesaler subject
to section 237-4(a)(13), and under section 237-13(6)(A) on a
wholesaler subject to section 237-4(a)(10) at one-half of one
per cent, during the period January 1, 2000, to December 31,
2005, the tax shall be as follows:
(1) In calendar year 2000, 3.5 per cent;
(2) In calendar year 2001, 3.0 per cent;
(3) In calendar year 2002, 2.5 per cent;
(4) In calendar year 2003, 2.0 per cent;
(5) In calendar year 2004, 1.5 per cent;
(6) In calendar year 2005, 1.0 per cent; and
(7) In calendar year 2006 and thereafter, the tax shall be
0.5 per cent.
(b) The department shall have the authority to implement
the tax rate changes in subsection (a) by prescribing tax forms
and instructions that require tax reporting and payment by deduction, allocation, or any other method to determine tax liability with due regard to the tax rate changes."

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

SECTION 10. This Act shall take effect on July 1, 2015.

APPROVED this 1 day of MAY, 2015

[Signature]
GOVERNOR OF THE STATE OF HAWAII
June 12, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai’i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 12, 2015, the following bill was signed into law:

SB284 SD2 HD2 CD1 RELATING TO THE TRANSIENT ACCOMMODATIONS TAX  
ACT 121 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai’i
A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The purpose of this Act is to establish a
method to use transient accommodations tax revenues and moneys
from the land conservation fund to reimburse the state general
fund for the debt service on reimbursable general obligation
bonds, the proceeds of which will be used to acquire a
conservation easement and other real property interests in
Turtle Bay, Oahu, for the protection, preservation, and
enhancement of natural resources important to the State.

The legislature finds and deems that the transient
accommodations tax revenues and moneys from the land
conservation fund comprise user taxes. The source of funding
for the Turtle Bay conservation easement will be reimbursable
general obligation bonds issued by the department of budget and
finance. The debt service on the reimbursable general
obligation bonds will be reimbursed from the transient
accommodations tax revenues and moneys from the land
conservation fund. The proceeds from the reimbursable general
obligation bonds, the transient accommodations tax revenues,
moneys from the land conservation fund will be deposited into
the Turtle Bay conservation easement special fund. The role of
the department of budget and finance is solely to facilitate the
financing of this transaction with the department of land and
natural resources purchasing the Turtle Bay conservation
easement and other real property interests. The legislature
finds that the financing of the Turtle Bay conservation easement
and other real property interests is essential to the execution
of the transaction and is for a public purpose.

The legislature also finds that the acquisition of the
Turtle Bay conservation easement and other real property
interests by the department of land and natural resources is
for the purpose of supporting, encouraging, and enhancing the
natural beauty of Oahu's north shore, and is land having value
as a resource to the State. The legislature further finds that
the acquisition of the Turtle Bay conservation easement and
other real property interests by the department of land and
natural resources is crucial to the protection, preservation,
and enhancement of the State's natural resources and to the
State's economic well-being, and is for a public purpose.

Specifically, this Act:
(1) Authorizes the department of budget and finance to issue $35,000,000 in reimbursable general obligation bonds and to deposit the proceeds into the Turtle Bay conservation easement special fund;

(2) Appropriates $35,000,000 out of the Turtle Bay conservation easement special fund for the department of land and natural resources to acquire a conservation easement and other real property interests at Turtle Bay, Oahu;

(3) Allocates transient accommodations tax revenues of $1,500,000 annually to the Turtle Bay conservation easement special fund;

(4) Provides that a nonprofit land conservation organization shall file an application annually with the board of land and natural resources requesting $1,500,000 from the land conservation fund to be used for the reimbursement of debt service on the Turtle Bay reimbursable general obligation bonds;

(5) Appropriates $3,000,000 out of the Turtle Bay conservation easement special fund to reimburse the
state general fund for payment of debt service on the
reimbursable general obligation bonds; and

(6) Appropriates $500,000 from the transient
accommodations tax revenues to the department of land
and natural resources to pay for appraisal costs, due
diligence costs, and closing costs relating to the
acquisition of a conservation easement and other real
property interests in Turtle Bay, Oahu.

SECTION 2. Chapter 171, Hawaii Revised Statutes, is
amended by adding four new sections to be appropriately
designated and to read as follows:

"§171-A Reimbursable general obligation bonds for
conservation easement and other real property interests in
Turtle Bay, Oahu. (a) The department of budget and finance
shall issue reimbursable general obligation bonds for the
department of land and natural resources to acquire a
conservation easement and other real property interests in
Turtle Bay, Oahu, for the protection, preservation, and
enhancement of natural resources, while maintaining public
access, as important to the State. The public shall have
perpetual public access to said conservation easement. The
conservation easement shall be in compliance with chapters 171 and 198. The other real property interests shall be in compliance with chapter 171.

(b) For the purpose of this section, the acquisition of the conservation easement and other real property interests shall be deemed an undertaking under chapter 39.

(c) The reimbursable general obligation bonds issued to acquire the conservation easement and other real property interests shall be payable from the transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund established by section 171-B and from moneys from the land conservation fund. The transient accommodations tax revenues and moneys from the land conservation fund are and shall be deemed user taxes. The revenues allocated shall be deemed user taxes pursuant to chapter 39 for the undertaking.

(d) The reimbursable general obligation bonds shall be issued in accordance with chapter 39.

§171-B Turtle Bay conservation easement special fund. (a) There is established the Turtle Bay conservation easement special fund to be administered by the department of land and natural resources.
(b) Transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund pursuant to section 237D-6.5 and moneys from the land conservation fund shall be deposited into the special fund. All interest earned on the moneys in the special fund shall be credited to the special fund.

(c) Moneys in the Turtle Bay conservation easement special fund shall be expended to reimburse the state general fund for payment of debt service on reimbursable general obligation bonds issued to acquire the conservation easement and other real property interests in Turtle Bay, Oahu.

(d) The Turtle Bay conservation easement special fund shall be exempt from the central service expenses of section 36-27 and departmental administrative expenses of section 36-30.

(e) Upon reimbursement to the state general fund of all debt service on reimbursable general obligation bonds issued to acquire the conservation easement in Turtle Bay, Oahu, any unencumbered and unexpended moneys in the Turtle Bay conservation easement special fund shall be transferred to the tourism special fund established under section 201B-11.
§171-C Turtle Bay appraisal and due diligence. Any appraisal and due diligence completed by the Hawaii tourism authority may be used by the department of land and natural resources for the acquisition of the Turtle Bay conservation easement and other real property interests.

§171-D Lease of Turtle Bay lands. Notwithstanding any law to the contrary, the board of land and natural resources may, without public auction, lease lands purchased in fee simple pursuant to section 171-A, to the grantor of the conservation easement or its successor in interest. The purpose of the lease shall be for the protection, preservation, and enhancement of natural resources, while maintaining public access. The lease rental shall be on a nominal basis, shall not exceed a term of sixty five years, and be upon such other terms and conditions as the board may determine."

SECTION 3. Chapter 173A, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§173A- Payment of debt service on the Turtle Bay reimbursable general obligation bonds. Notwithstanding any laws to the contrary:
Beginning July 1, 2015, a nonprofit land conservation organization shall file an application annually with the board requesting $1,500,000 from the land conservation fund to be used for the reimbursement of debt service on the Turtle Bay reimbursable general obligation bonds until the bonds are fully amortized;

The board shall not require the nonprofit land conservation organization that is the recipient of a grant for the payment of debt service on the Turtle Bay reimbursable general obligation bonds to provide any additional matching funds; and

Moneys awarded for the payment of debt service on the Turtle Bay reimbursable general obligation bonds shall be deposited into the Turtle Bay conservation easement special fund."

SECTION 4. Section 87A-42, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) In any fiscal year subsequent to the 2017-2018 fiscal year in which a county public employer's contributions into the fund are less than the amount of the annual required contribution, the amount that represents the excess of the
annual required contribution over the county public employer's contributions shall be deposited into the fund from a portion of all transient accommodations tax revenues collected by the department of taxation under section [237D-6.5(b)(3)] 237D-6.5(b)(4). The director of finance shall deduct the amount necessary to meet the county public employer's annual required contribution from the revenues derived under section [237D-6.5(b)(3)] 237D-6.5(b)(4) and transfer the amount to the board for deposit into the appropriate account of the separate trust fund."

SECTION 5. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other
administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section [237D-6.5(b)(2)] 237D-6.5(b)(6); and private contributions for the management, maintenance, and development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board pursuant to title 12, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76; provided that transient accommodations tax revenues allocated to the fund
shall be expended as provided in section 237D-6.5(b)(5);

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase specifically reserved in any patent, deed, lease, or other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;

(5) For the payment of publication notices as required under this chapter; provided that all or a portion of the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;

(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

(7) For the payment to private land developers who have contracted with the board for development of public lands under section 171-60;
(8) For the payment of debt service on revenue bonds issued by the department, and the establishment of debt service and other reserves deemed necessary by the board;

(9) To reimburse the general fund for debt service on general obligation bonds issued to finance departmental projects, where the bonds are designated to be reimbursed from the special land and development fund;

(10) For the protection, planning, management, and regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."

SECTION 6. Section 201B-8, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Moneys in the convention center enterprise special fund shall be used by the authority for the payment of any and all of the following:

(1) Debt owed to the department of budget and finance relating to the convention center[-] provided that, after the restructuring required by section 5 of Act 81, Session Laws of Hawaii 2014, the annual debt
service payment owed to the department shall not exceed $16,500,000 from fiscal year 2014-2015 until fully-retired]; and

(2) Expenses arising from any and all use, operation, maintenance, alteration, improvement, or any unforeseen or unplanned repairs of the convention center, including without limitation the food and beverage service and parking service provided at the convention center facility, the sale of souvenirs, logo items, or other items, for any future major repair, maintenance, and improvement of the convention center facility as a commercial enterprise or as a world class facility for conventions, entertainment, or public events, and for marketing the facility pursuant to section 201B-7(a)(7)."

SECTION 7. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed [as follows] in the following priority, with the excess revenues to be deposited into the general fund:
$1,500,000 shall be allocated to the Turtle Bay conservation easement special fund beginning July 1, 2015, for the reimbursement to the state general fund of debt service on reimbursable general obligation bonds, including ongoing expenses related to the issuance of the bonds, the proceeds of which were used to acquire the conservation easement and other real property interests in Turtle Bay, Oahu, for the protection, preservation, and enhancement of natural resources important to the State, until the bonds are fully amortized;

(2) $26,500,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(3) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11;

provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage
of expanded visa programs and increased travel
opportunities for international visitors to
Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the
operation of a Hawaiian center and the
museum of Hawaiian music and dance at the
Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be
transferred to a sub-account in the tourism
special fund to provide funding for a safety
and security budget, in accordance with the
Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special
fund after revenues have been deposited as
provided in this paragraph and except for any sum
authorized by the legislature for expenditure
from revenues subject to this paragraph,
begining July 1, 2007; funds shall be deposited
into the tourism emergency trust fund,
established in section 201B-10, in a manner
sufficient to maintain a fund balance of
$5,000,000 in the tourism emergency trust fund;

\([43]\) $103,000,000 for fiscal year 2014-2015,
$103,000,000 for fiscal year 2015-2016, and
$93,000,000 for each fiscal year thereafter shall be
allocated as follows: Kauai county shall receive 14.5
per cent, Hawaii county shall receive 18.6 per cent,
city and county of Honolulu shall receive 44.1 per
cent, and Maui county shall receive 22.8 per cent;
provided that commencing with fiscal year 2018-2019, a
sum that represents the difference between a county
public employer's annual required contribution for the
separate trust fund established under section 87A-42
and the amount of the county public employer's
contributions into that trust fund shall be retained
by the state director of finance and deposited to the
credit of the county public employer's annual required
contribution into that trust fund in each fiscal year,
as provided in section 87A-42, if the respective
county fails to remit the total amount of the county's
required annual contributions, as required under
section 87A-43; and

[(4) $3,000,000 shall be allocated to the Turtle Bay
conservation easement special fund established under
section 201B-8.6 for the payment of debt service on
revenue bonds, the proceeds of which were used to
acquire the conservation easement in Turtle Bay, Oahu,
until the bonds are fully amortized; and]

(5) Of the excess revenues deposited into the general fund
pursuant to this subsection, $3,000,000 shall be
allocated subject to the mutual agreement of the board
of land and natural resources and the board of
directors of the Hawaii tourism authority in
accordance with the Hawaii tourism authority strategic
plan for:

(A) The protection, preservation, and enhancement of
natural resources important to the visitor
industry;

(B) Planning, construction, and repair of facilities;

and
(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 8. Section 201B-8.5, Hawaii Revised Statutes, is repealed.

['"[§201B-8.5]—Revenue bonds for conservation easement in Turtle Bay, Oahu.—(a) As authorized by section 6 of Act 81, Session Laws of Hawaii 2014, the authority shall issue revenue bonds to acquire a conservation easement in Turtle Bay, Oahu. The public shall have perpetual public access to said conservation easement. The conservation easement shall be in compliance with chapter 198. Prior to executing the agreement to acquire the conservation easement, the authority shall—'}
(1) Obtain an appraisal and perform its due diligence on the conservation easement and property rights proposed to be acquired; and

(2) Offer to hold an informational briefing for the legislature. The offer shall be made through the president of the senate and speaker of the house of representatives.

(b) For the purpose of this section, the authority shall be deemed a "department" and the acquisition of the conservation easement shall be deemed an "undertaking" under chapter 39.

(c) The revenue bonds issued to acquire the conservation easement shall be secured by and payable from the transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund established pursuant to section 201B-8.6. For this purpose, the revenues allocated shall be deemed "user taxes" for the undertaking.

(d) The revenue bonds shall be issued in accordance with chapter 39, part III. The authority shall request the director of finance, on behalf of the authority, to perform the duties specified under section 39-68 regarding the preparation, sale, and administration of the revenue bonds."
SECTION 9. Section 201B-8.6, Hawaii Revised Statutes, is repealed.

"[§201B-8.6]—Turtle Bay conservation easement special fund.— (a) There is established the Turtle Bay conservation easement special fund.

(b) Transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund pursuant to section 237D-6.5 shall be deposited into the special fund. All interest earned on the moneys in the special fund shall be credited to the special fund.

(c) Moneys in the Turtle Bay conservation easement special fund shall be expended to pay the debt service on revenue bonds issued to acquire the conservation easement in Turtle Bay, Oahu, pursuant to section 201B-8.5.

(d) The Turtle Bay conservation easement special fund shall be exempt from the central service expenses of section 36-27 and departmental administrative expenses of section 36-30."

SECTION 10. Act 81, Session Laws of Hawaii 2014, is amended by repealing sections 5 through 8.

"SECTION 5.—(a) The executive director of the Hawaii tourism authority and the director of finance shall enter into
negotiations to restructure the debt owed to the department of
budget and finance for the convention center so that the annual
amount payable on the debt service is not more than $16,500,000
until fully retired.

(b) If the debt is not restructured as required under
subsection (a), no state funds, including revenue bond funds,
shall be expended to acquire any conservation easement or other
real property interest in Turtle Bay, Oahu, notwithstanding the
authorization under section 201B-A, Hawaii Revised Statutes, and
sections 6 and 7 of this Act.

SECTION 6. (a) The board of directors of the Hawaii
tourism authority, with the approval of the governor, is
authorized to issue revenue bonds in the sum of $40,000,000 or
so much thereof as may be necessary for fiscal year 2014-2015
for the purpose of acquiring a conservation easement in Turtle
Bay, Oahu, as authorized under section 201B-A, Hawaii Revised
Statutes.

(b) The board of directors, with the approval of the
governor, shall issue the revenue bonds under such terms,
conditions, and maturity dates that do not require any debt
service payment to exceed $3,000,000 in any fiscal year.
(e) If the board of directors cannot issue revenue bonds in accordance with the conditions of this section or section 201B-39, part III, Hawaii Revised Statutes, no state funds shall be expended to acquire any conservation easement or other real property interest in Turtle Bay, Oahu.

SECTION 7. There is appropriated out of the revenue bond proceeds authorized by section 6 of this Act the sum of $40,000,000 or so much thereof as may be necessary for fiscal year 2014-2015 to carry out the purpose of section 6, provided that any unexpended or unencumbered balance of the appropriation shall not lapse at the end of fiscal year 2014-2015 and shall lapse instead on June 30, 2016.

The sum appropriated shall be expended by the Hawaii Tourism Authority for the purpose of this Act.

SECTION 8. This Act shall not be severable. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, then the entire Act shall be invalid.

SECTION 11. (a) The department of budget and finance, with the approval of the governor, is authorized to issue reimbursable general obligation bonds in the sum of $35,000,000
or so much thereof as may be necessary for fiscal year 2015-2016
for the purpose of acquiring a conservation easement and other
real property interests in Turtle Bay, Oahu, and the same sum
shall be deposited into the Turtle Bay conservation easement
special fund.

(b) The department of budget and finance, with the
approval of the governor, shall issue the reimbursable general
obligation bonds in such aggregate principal amount and under
such terms, conditions, and maturity dates such that the
required payments of principal and interest on the reimbursable
general obligation bonds shall not exceed $3,000,000 in any
fiscal year.

SECTION 12. There is appropriated out of the Turtle Bay
conservation easement special fund the sum of $35,000,000 or so
much thereof as may be necessary for fiscal year 2015-2016 to
finance the acquisition of a conservation easement and other
real property interests in Turtle Bay, Oahu.

The sum appropriated shall be expended by the department of
land and natural resources for the purposes of this Act.

SECTION 13. There is appropriated out of the Turtle Bay
conservation easement special fund the sum of $3,000,000 or so
much thereof as may be necessary for fiscal year 2015-2016 for
the reimbursement of the state general fund for the payment of
debt service on the reimbursable general obligation bonds.

The sum appropriated shall be expended by the department of
land and natural resources for the purposes of this Act.

SECTION 14. Of the excess revenues deposited into the
general fund pursuant to section 237D-6.5(b), Hawaii Revised
Statutes, $500,000, or so much thereof as may be necessary for
fiscal year 2015-2016 shall be appropriated to the department of
land and natural resources to pay for appraisal costs, due
diligence costs, and closing costs relating to the acquisition
of the Turtle Bay conservation easement and other real property
interests.

The sum appropriated shall be expended by the department of
land and natural resources for the purposes of this Act.

SECTION 15. In codifying the new sections added by section
2 of this Act, the revisor of statutes shall substitute
appropriate section numbers for the letters used in designating
the new sections in this Act.

SECTION 16. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.
SECTION 17. This Act shall take effect upon approval;

provided that:

(1) If a contract to acquire the Turtle Bay Conservation easement has not been entered into by December 31, 2015, part I of the Act shall be repealed on January 1, 2016;

(2) The amendments made to section 36-27(a), Hawaii Revised Statutes, by Section 2 of this Act shall not be repealed when that section is reenacted on June 30, 2015, pursuant to Act 79, Session Laws of Hawaii 2009; and

(3) The amendments made to section 36-30(a), Hawaii Revised Statutes, by Section 2 of this Act shall not be repealed when that section is reenacted on June 30, 2015, pursuant to Act 79, Session Laws of Hawaii 2009.

APPROVED this 12th day of JUN, 2015

GOVERNOR OF THE STATE OF HAWAII
June 5, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 5, 2015, the following bill was signed into law:

HB169 HD1 SD1 CD1  
RELATING TO TAXATION  
ACT 093 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. Section 237D-1, Hawaii Revised Statutes, is amended by amending the definition of "fair market rental value" to read as follows:

"Fair market rental value" means an amount equal to one-half of the gross daily maintenance fees that are paid by the owner[7] and are attributable to the time share unit[7—and]
located in Hawaii. Gross daily maintenance fees include maintenance costs, operational costs, insurance, repair costs, administrative costs, taxes, other than transient accommodations taxes, resort fees, and other costs including payments required for reserves or sinking funds. [The taxpayer shall use gross daily maintenance fees, unless the taxpayer proves or the director determines that the gross daily maintenance fees do not fairly represent fair market rental value taking into account comparable transient accommodation rentals or other appraisal methods—] Amounts paid for optional goods and services such as food and beverage services or beach chair or umbrella rentals shall be excluded from fair market rental value."
SECTION 2. Section 237D-2, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) There is levied and shall be assessed and collected each month, on the occupant of a resort time share vacation unit, a transient accommodations tax of:

(1) 7.25 per cent on the fair market rental value[+] until December 31, 2015;

(2) 8.25 per cent on the fair market rental value for the period beginning on January 1, 2016, to December 31, 2016; and

(3) 9.25 per cent on the fair market rental value for the period beginning on January 1, 2017, and thereafter."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on January 1, 2016.

APPROVED this 5 day of JUN, 2015

GOVERNOR OF THE STATE OF HAWAII
June 12, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 12, 2015, the following bill was signed into law:

HB444 HD3 SD2 CD1 RELATING TO BEACH PROTECTION
ACT 117 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
RELATING TO BEACH PROTECTION.

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

PART I

SECTION 1. The legislature finds that Hawaii's beaches are important and unique components of the array of natural resources that make our islands a special place for our residents and an attractive destination for visitors. Recent studies by researchers at the University of Hawaii indicate that our beaches are disappearing at an alarming rate, with seventy per cent of beaches undergoing chronic erosion, over thirteen miles of beach completely lost to erosion, and inappropriate shoreline development over the past century. Because of the growing demand for the use of beaches, the State needs to reinvest in its beaches, as one of its important and valuable natural resources, to conserve and restore these important assets by more efficiently distributing limited financial resources.

The purpose of this part is to allocate transient accommodations tax revenues to the special land and development
fund to finance beach restoration and conservation and other
activities authorized under section 237D-6.5(b)(5), Hawaii
Revised Statutes. This part takes effect on July 1, 2016.

SECTION 2. Section 171-19, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:
"(a) There is created in the department a special fund to
be designated as the "special land and development fund".
Subject to the Hawaiian Homes Commission Act of 1920, as
amended, and section 5(f) of the Admission Act of 1959, all
proceeds of sale of public lands, including interest on deferred
payments; all moneys collected under section 171-58 for mineral
and water rights; all rents from leases, licenses, and permits
derived from public lands; all moneys collected from lessees of
public lands within industrial parks; all fees, fines, and other
administrative charges collected under this chapter and chapter
183C; a portion of the highway fuel tax collected under chapter
243; all moneys collected by the department for the commercial
use of public trails and trail accesses under the jurisdiction
of the department; transient accommodations tax revenues
collected pursuant to section [237D-6.5(b)-(2)] 237D-6.5(b)(5);
and private contributions for the management, maintenance, and
development of trails and accesses shall be set apart in the 

fund and shall be used only as authorized by the legislature for 

the following purposes:

(1) To reimburse the general fund of the State for 

advances made that are required to be reimbursed from 

the proceeds derived from sales, leases, licenses, or 

permits of public lands;

(2) For the planning, development, management, operations, 
or maintenance of all lands and improvements under the 
control and management of the board, including but not 
limited to permanent or temporary staff positions who 
may be appointed without regard to chapter 76;

(3) To repurchase any land, including improvements, in the 
exercise by the board of any right of repurchase 
specifically reserved in any patent, deed, lease, or 
other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that 
all fees reimbursed to the board shall be deposited in 
the fund;

(5) For the payment of publication notices as required 
under this chapter; provided that all or a portion of
the expenditures may be charged to the purchaser or
lessee of public lands or any interest therein under
rules adopted by the board;

(6) For the management, maintenance, and development of
trails and trail accesses under the jurisdiction of
the department;

(7) For the payment to private land developers who have
contracted with the board for development of public
lands under section 171-60;

(8) For the payment of debt service on revenue bonds
issued by the department, and the establishment of
debt service and other reserves deemed necessary by
the board;

(9) To reimburse the general fund for debt service on
general obligation bonds issued to finance
departmental projects, where the bonds are designated
to be reimbursed from the special land and development
fund;

(10) For the protection, planning, management, and
regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."
SECTION 3. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

1. $26,500,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

2. $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

   (A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

   (B) Of the $82,000,000 allocated:

      (i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the
(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) $103,000,000 for fiscal year 2014-2015, $103,000,000 for fiscal year 2015-2016, and $93,000,000 for each fiscal year thereafter shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii
county shall receive 18.6 per cent, city and county of
Honolulu shall receive 44.1 per cent, and Maui county
shall receive 22.8 per cent; provided that commencing
with fiscal year 2018-2019, a sum that represents the
difference between a county public employer's annual
required contribution for the separate trust fund
established under section 87A-42 and the amount of the
county public employer's contributions into that trust
fund shall be retained by the state director of
finance and deposited to the credit of the county
public employer's annual required contribution into
that trust fund in each fiscal year, as provided in
section 87A-42, if the respective county fails to
remit the total amount of the county's required annual
contributions, as required under section 87A-43;
(4) $3,000,000 shall be allocated to the Turtle Bay
conservation easement special fund established under
section 201B-8.6 for the payment of debt service on
revenue bonds, the proceeds of which were used to
acquire the conservation easement in Turtle Bay, Oahu,
until the bonds are fully amortized; and
(5) [Of the excess revenues deposited into the general
fund pursuant to this subsection,] $3,000,000 shall be
allocated [subject to the mutual agreement of the
board of land and natural resources and the board of
directors of the Hawaii tourism authority] to the
special land and development fund established under
section 171-19; provided that the allocation shall be
expended in accordance with the Hawaii tourism
authority strategic plan for:

(A) The protection, preservation, maintenance, and
enhancement of natural resources, including
beaches, important to the visitor industry;

(B) Planning, construction, and repair of facilities;

and

(C) Operation and maintenance costs of public lands,
including beaches, connected with enhancing the
visitor experience.

All transient accommodations taxes shall be paid into the
state treasury each month within ten days after collection and
shall be kept by the state director of finance in special
accounts for distribution as provided in this subsection.
As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

PART II

SECTION 4. The purpose of this part is to appropriate general funds to be expended in fiscal year 2014-2015 in accordance with section 237D-6.5(b)(5), Hawaii Revised Statutes, for visitor industry-related programs and projects.

The legislature finds that, for technical reasons, the $3,000,000 in general funds set aside from the transient accommodations tax revenues under section 237D-6.5(b)(5), Hawaii Revised Statutes, for fiscal year 2014-2015 for visitor industry-related programs and projects cannot be expended. The legislature further finds that the moneys set aside for fiscal year 2014-2015 should be expended to implement the legislature's policy decision to commence the set aside.

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of $3,000,000 or so much thereof as may be necessary for fiscal year 2014-2015 for the following:
(1) The protection, preservation, maintenance, and enhancement of natural resources, including beaches, important to the visitor industry;
(2) Planning, construction, and repair of facilities; and
(3) Operation and maintenance costs of public lands, including beaches, connected with enhancing the visitor experience.

The sum appropriated shall be expended by the board of land and natural resources, subject to mutual agreement with the board of directors of the Hawaii tourism authority, in accordance with the Hawaii tourism authority strategic plan.

SECTION 6. The appropriation in section 5 shall be deemed an appropriation of the $3,000,000 in general funds set aside under section 237D-6.5(b)(5), Hawaii Revised Statutes, for fiscal year 2014-2015.

PART III

SECTION 7. The purpose of this part is to appropriate general funds to be expended in fiscal year 2015-2016 in accordance with section 237D-6.5(b)(5), Hawaii Revised Statutes, for visitor industry-related programs and projects.
The legislature finds that, for technical reasons, the $3,000,000 in general funds set aside from the transient accommodations tax revenues under section 237D-6.5(b)(5), Hawaii Revised Statutes, for visitor industry-related programs and projects cannot be expended. The legislature further finds that the moneys set aside for fiscal year 2015-2016 should be expended to implement the policy decision of the legislature to commence the set aside.

In part I of this Act, the legislature amends section 237D-6.5(b)(5), Hawaii Revised Statutes, to deposit the $3,000,000 into the special land and development fund for expenditure on visitor industry-related programs and projects. The amendments take effect on July 1, 2016. The legislature has delayed the effective date in order to review the special land and development fund during the interim between the regular sessions of 2015 and 2016. The legislature finds that depositing the revenues into the special land and development fund from July 1, 2015, may complicate the planned review of the fund.

SECTION 8. There is appropriated out of the general revenues of the State of Hawaii the sum of $3,000,000 or so much
thereof as may be necessary for fiscal year 2015-2016 for the
following:

(1) The protection, preservation, maintenance, and
enhancement of natural resources, including beaches,
important to the visitor industry;

(2) Planning, construction, and repair of facilities; and

(3) Operation and maintenance costs of public lands,
including beaches, connected with enhancing the
visitor experience.

The sum appropriated shall be expended by the board of land
and natural resources in accordance with the Hawaii tourism
authority strategic plan.

Notwithstanding section 237D-6.5(b)(5), Hawaii Revised
Statutes, the board of land and natural resources may expend the
appropriation without the agreement of the board of directors of
the Hawaii tourism authority.

SECTION 9. The appropriation in section 8 shall be deemed
an appropriation of the $3,000,000 in general funds set aside
under section 237D-6.5(b)(5), Hawaii Revised Statutes, for
fiscal year 2015-2016.
PART IV

SECTION 10. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 11. This Act shall take effect upon its approval; provided that part I shall take effect on July 1, 2016.

APPROVED this 12 day of JUN , 2015

[Signature]
GOVERNOR OF THE STATE OF HAWAI'I
May 1, 2015

The Honorable Donna Mercado Kim, The Honorable Joseph M. Souki, President Speaker and Members of the and Members of the Senate House of Representatives Twenty-Eighth State Legislature Twenty-Eighth State Legislature State Capitol, Room 409 State Capitol, Room 431 Honolulu, Hawaii 96813 Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 1, 2015, the following bill was signed into law:

SB1212 SD1 RELATING TO AMENDING OR REPEALING VARIOUS PROVISIONS OF HAWAII TAX LAWS FOR THE PURPOSE OF DELETING OBSOLETE OR UNNECESSARY PROVISIONS ACT 022 (15)

Sincerely,

DAVID Y. IGE Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO AMENDING OR REPEALING VARIOUS PROVISIONS OF HAWAII TAX LAWS FOR THE PURPOSE OF DELETING OBSOLETE OR UNNECESSARY PROVISIONS.

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

SECTION 1. The legislature finds that sections of the general excise tax and public service company tax laws contain provisions that were to phase in the effect of certain amendments over several years. However, the phase-in periods for those provisions have long since ended, making those provisions obsolete.

The purpose of this Act is to repeal the obsolete provisions in the general excise tax and public service company tax laws.

SECTION 2. Section 237-4, Hawaii Revised Statutes, is amended to read as follows:

"§237-4 "Wholesaler", "jobber", defined. (a) "Wholesaler" or "jobber" applies only to a person making sales at wholesale. Only the following are sales at wholesale:

(1) Sales to a licensed retail merchant, jobber, or other licensed seller for purposes of resale;
(2) Sales to a licensed manufacturer of materials or commodities that are to be incorporated by the manufacturer into a finished or saleable product (including the container or package in which the product is contained) during the course of its preservation, manufacture, or processing, including preparation for market, and that will remain in such finished or saleable product in such form as to be perceptible to the senses, which finished or saleable product is to be sold and not otherwise used by the manufacturer;

(3) Sales to a licensed producer or cooperative association of materials or commodities that are to be incorporated by the producer or by the cooperative association into a finished or saleable product that is to be sold and not otherwise used by the producer or cooperative association, including specifically materials or commodities expended as essential to the planting, growth, nurturing, and production of commodities that are sold by the producer or by the cooperative association;
(4) Sales to a licensed contractor, of materials or commodities that are to be incorporated by the contractor into the finished work or project required by the contract and that will remain in such finished work or project in such form as to be perceptible to the senses;

(5) Sales to a licensed producer, or to a cooperative association described in section 237-23(a)(7) for sale to a licensed producer, or to a licensed person operating a feed lot, of poultry or animal feed, hatching eggs, semen, replacement stock, breeding services for the purpose of raising or producing animal or poultry products for disposition as described in section 237-5 or for incorporation into a manufactured product as described in paragraph (2) or for the purpose of breeding, hatching, milking, or egg laying other than for the customer's own consumption of the meat, poultry, eggs, or milk so produced; provided that in the case of a feed lot operator, only the segregated cost of the feed furnished by the feed lot operator as part of the feed lot operator's
service to a licensed producer of poultry or animals
to be butchered or to a cooperative association
described in section 237-23(a)(7) of such licensed
producers shall be deemed to be a sale at wholesale;
and provided further that any amount derived from the
furnishing of feed lot services, other than the
segregated cost of feed, shall be deemed taxable at
the service business rate. This paragraph shall not
apply to the sale of feed for poultry or animals to be
used for hauling, transportation, or sports purposes;

(6) Sales to a licensed producer, or to a cooperative
association described in section 237-23(a)(7) for sale
to the producer, of seed or seedstock for producing
agricultural and aquacultural products, or bait for
catching fish (including the catching of bait for
catching fish), which agricultural and aquacultural
products or fish are to be disposed of as described in
section 237-5 or to be incorporated in a manufactured
product as described in paragraph (2);

(7) Sales to a licensed producer, or to a cooperative
association described in section 237-23(a)(7) for sale
to such producer; of polypropylene shade cloth; of polyfilm; of polyethylene film; of cartons and such other containers, wrappers, and sacks, and binders to be used for packaging eggs, vegetables, fruits, and other agricultural and aquacultural products; of seedlings and cuttings for producing nursery plants or aquacultural products; or of chick containers; which cartons and such other containers, wrappers, and sacks, binders, seedlings, cuttings, and containers are to be used as described in section 237-5, or to be incorporated in a manufactured product as described in paragraph (2);

(8) Sales of tangible personal property where:

(A) Tangible personal property is sold upon the order or request of a licensed seller for the purpose of rendering a service in the course of the person's service business or calling, or upon the order or request of a person subject to tax under section 237D-2 for the purpose of furnishing transient accommodations;
(B) The tangible personal property becomes or is used
as an identifiable element of the service
rendered; and

(C) The cost of the tangible personal property does
not constitute overhead to the licensed seller;

[the sale shall be subject to section 237.13.37]

(9) Sales to a licensed leasing company of capital goods
that have a depreciable life, are purchased by the
leasing company for lease to its customers, and are
thereafter leased as a service to others;

(10) Sales of services to a licensed seller engaging in a
business or calling whenever:

(A) Either:

   (i) In the context of a service-to-service
       transaction, a service is rendered upon the
       order or request of a licensed seller for
       the purpose of rendering another service in
       the course of the seller's service business
       or calling, including a dealer's furnishing
       of goods or services to the purchaser of
       tangible personal property to fulfill a
warranty obligation of the manufacturer of
the property;

(ii) In the context of a service-to-tangible
personal property transaction, a service is
rendered upon the order or request of a
licensed seller for the purpose of
manufacturing, producing, or preparing
tangible personal property to be sold;

(iii) In the context of a services-to-contracting
transaction, a service is rendered upon the
order or request of a licensed contractor as
defined in section 237-6 for the purpose of
assisting that licensed contractor; or

(iv) In the context of a services-to-transient
accommodations rental transaction, a service
is rendered upon the order or request of a
person subject to tax under section 237D-2
for the purpose of furnishing transient
accommodations;

(B) The benefit of the service passes to the customer
of the licensed seller, licensed contractor, or
person furnishing transient accommodations as an identifiable element of the other service or property to be sold, the contracting, or the furnishing of transient accommodations;

(C) The cost of the service does not constitute overhead to the licensed seller, licensed contractor, or person furnishing transient accommodations;

(D) The gross income of the licensed seller is not divided between the licensed seller and another licensed seller, contractor, or person furnishing transient accommodations for imposition of the tax under this chapter;

(E) The gross income of the licensed seller is not subject to a deduction under this chapter or chapter 237D; and

(F) The resale of the service, tangible personal property, contracting, or transient accommodations is subject to the tax imposed under this chapter at the highest tax rate.
Sales subject to this paragraph shall be subject to section 237-13.31.

(11) Sales to a licensed retail merchant, jobber, or other licensed seller of bulk condiments or prepackaged single-serving packets of condiments that are provided to customers by the licensed retail merchant, jobber, or other licensed seller;

(12) Sales to a licensed retail merchant, jobber, or other licensed seller of tangible personal property that will be incorporated or processed by the licensed retail merchant, jobber, or other licensed seller into a finished or saleable product during the course of its preparation for market (including disposable, nonreturnable containers, packages, or wrappers, in which the product is contained and that are generally known and most commonly used to contain food or beverage for transfer or delivery), and which finished or saleable product is to be sold and not otherwise used by the licensed retail merchant, jobber, or other licensed seller;
Sales of amusements subject to taxation under section 237-13(4) to a licensed seller engaging in a business or calling whenever:

(A) Either:

(i) In the context of an amusement-to-service transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling;

(ii) In the context of an amusement-to-tangible personal property transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of selling tangible personal property; or

(iii) In the context of an amusement-to-amusement transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another amusement in the course of the person's amusement business;
(B) The benefit of the amusement passes to the
customer of the licensed seller as an
identifiable element of the other service,
tangible personal property to be sold, or
amusement;

(C) The cost of the amusement does not constitute
overhead to the licensed seller;

(D) The gross income of the licensed seller is not
divided between the licensed seller and another
licensed seller, person furnishing transient
accommodations, or person rendering an amusement
for imposition of the tax under chapter 237;

(E) The gross income of the licensed seller is not
subject to a deduction under this chapter; and

(F) The resale of the service, tangible personal
property, or amusement is subject to the tax
imposed under this chapter at the highest rate.

As used in this paragraph, "amusement" means
entertainment provided as part of a show for which
there is an admission charge[.—Sales subject to this
paragraph shall be subject to section 237-13.3]; and
(14) Sales by a printer to a publisher of magazines or similar printed materials containing advertisements, when the publisher is under contract with the advertisers to distribute a minimum number of magazines or similar printed materials to the public or defined segment of the public, whether or not there is a charge to the persons who actually receive the magazines or similar printed materials.

(b) If the use tax law is finally held by a court of competent jurisdiction to be unconstitutional or invalid insofar as it purports to tax the use or consumption of tangible personal property imported into the State in interstate or foreign commerce or both, wholesalers and jobbers shall be taxed thereafter under this chapter in accordance with the following definition (which shall supersede the preceding paragraph otherwise defining "wholesaler" or "jobber"): "Wholesaler" or "jobber" means a person, or a definitely organized division thereof, definitely organized to render and rendering a general distribution service that buys and maintains at the person's place of business a stock or lines of merchandise that the person distributes; and that the person, through salespersons,
advertising, or sales promotion devices, sells to licensed retailers, to institutional or licensed commercial or industrial users, in wholesale quantities and at wholesale rates. A corporation deemed not to be carrying on a trade or business in this State under section 235-6 shall nevertheless be deemed to be a wholesaler and shall be subject to the tax imposed by this chapter."

SECTION 3. Section 237-13, Hawaii Revised Statutes, is amended to read as follows:

"§237-13 Imposition of tax. There is hereby levied and shall be assessed and collected annually privilege taxes against persons on account of their business and other activities in the State measured by the application of rates against values of products, gross proceeds of sales, or gross income, whichever is specified, as follows:

(1) Tax on manufacturers.

(A) Upon every person engaging or continuing within the State in the business of manufacturing, including compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or preparing for sale,
profit, or commercial use, either directly or
through the activity of others, in whole or in
part, any article or articles, substance or
substances, commodity or commodities, the amount
of the tax to be equal to the value of the
articles, substances, or commodities,
manufactured, compounded, canned, preserved,
packed, printed, milled, processed, refined, or
prepared for sale, as shown by the gross proceeds
derived from the sale thereof by the manufacturer
or person compounding, preparing, or printing
them, multiplied by one-half of one per cent.

(B) The measure of the tax on manufacturers is the
value of the entire product for sale, regardless
of the place of sale or the fact that deliveries
may be made to points outside the State.

(C) If any person liable for the tax on manufacturers
ships or transports the person's product, or any
part thereof, out of the State, whether in a
finished or unfinished condition, or sells the
same for delivery to points outside the State
(for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), the value of the products in the condition or form in which they exist immediately before entering interstate or foreign commerce, determined as hereinafter provided, shall be the basis for the assessment of the tax imposed by this paragraph. This tax shall be due and payable as of the date of entry of the products into interstate or foreign commerce, whether the products are then sold or not. The department shall determine the basis for assessment, as provided by this paragraph, as follows:

(i) If the products at the time of their entry into interstate or foreign commerce already have been sold, the gross proceeds of sale, less the transportation expenses, if any, incurred in realizing the gross proceeds for transportation from the time of entry of the products into interstate or foreign commerce, including insurance and storage in
transit, shall be the measure of the value of the products;

(ii) If the products have not been sold at the time of their entry into interstate or foreign commerce, and in cases governed by clause (i) in which the products are sold under circumstances such that the gross proceeds of sale are not indicative of the true value of the products, the value of the products constituting the basis for assessment shall correspond as nearly as possible to the gross proceeds of sales for delivery outside the State, adjusted as provided in clause (i), or if sufficient data are not available, sales in the State, of similar products of like quality and character and in similar quantities, made by the taxpayer (unless not indicative of the true value) or by others. Sales outside the State, adjusted as provided in clause (i), may be considered when they constitute the
best available data. The department shall
prescribe uniform and equitable rules for
ascertaining the values;

(iii) At the election of the taxpayer and with the
approval of the department, the taxpayer may
make the taxpayer's returns under clause (i)
even though the products have not been sold
at the time of their entry into interstate
or foreign commerce; and

(iv) In all cases in which products leave the
State in an unfinished condition, the basis
for assessment shall be adjusted so as to
deduct the portion of the value as is
attributable to the finishing of the goods
outside the State.

(2) Tax on business of selling tangible personal property;
producing.

(A) Upon every person engaging or continuing in the
business of selling any tangible personal
property whatsoever (not including, however,
bonds or other evidence of indebtedness, or
stocks), there is likewise hereby levied, and
shall be assessed and collected, a tax equivalent
to four per cent of the gross proceeds of sales
of the business; provided that, in the case of a
wholesaler, the tax shall be equal to one-half of
one per cent of the gross proceeds of sales of
the business; and provided further that insofar
as the sale of tangible personal property is a
wholesale sale under section 237-4(a)(8), the
[sale shall be subject to section 237-13.3.] tax
shall be one-half of one per cent of the gross
proceeds. Upon every person engaging or
continuing within this State in the business of a
producer, the tax shall be equal to one-half of
one per cent of the gross proceeds of sales of
the business, or the value of the products, for
sale, if sold for delivery outside the State or
shipped or transported out of the State, and the
value of the products shall be determined in the
same manner as the value of manufactured products
covered in the cases under paragraph (1)(C).
(B) Gross proceeds of sales of tangible property in interstate and foreign commerce shall constitute a part of the measure of the tax imposed on persons in the business of selling tangible personal property, to the extent, under the conditions, and in accordance with the provisions of the Constitution of the United States and the Acts of the Congress of the United States which may be now in force or may be hereafter adopted, and whenever there occurs in the State an activity to which, under the Constitution and Acts of Congress, there may be attributed gross proceeds of sales, the gross proceeds shall be so attributed.

(C) No manufacturer or producer, engaged in such business in the State and selling the manufacturer's or producer's products for delivery outside of the State (for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), shall be required to pay the tax imposed in this chapter for the
privilege of so selling the products, and the
value or gross proceeds of sales of the products
shall be included only in determining the measure
of the tax imposed upon the manufacturer or
producer.

(D) When a manufacturer or producer, engaged in such
business in the State, also is engaged in selling
the manufacturer's or producer's products in the
State at wholesale, retail, or in any other
manner, the tax for the privilege of engaging in
the business of selling the products in the State
shall apply to the manufacturer or producer as
well as the tax for the privilege of
manufacturing or producing in the State, and the
manufacturer or producer shall make the returns
of the gross proceeds of the wholesale, retail,
or other sales required for the privilege of
selling in the State, as well as making the
returns of the value or gross proceeds of sales
of the products required for the privilege of
manufacturing or producing in the State. The
manufacturer or producer shall pay the tax
imposed in this chapter for the privilege of
selling its products in the State, and the value
or gross proceeds of sales of the products, thus
subjected to tax, may be deducted insofar as
duplicated as to the same products by the measure
of the tax upon the manufacturer or producer for
the privilege of manufacturing or producing in
the State; provided that no producer of
agricultural products who sells the products to a
purchaser who will process the products outside
the state shall be required to pay the tax
imposed in this chapter for the privilege of
producing or selling those products.

(E) A taxpayer selling to a federal cost-plus
contractor may make the election provided for by
paragraph (3)(C), and in that case the tax shall
be computed pursuant to the election,
notwithstanding this paragraph or paragraph (1)
to the contrary.
(F) The department, by rule, may require that a seller take from the purchaser of tangible personal property a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any purchaser who furnishes a certificate shall be obligated to pay to the seller, upon demand, the amount of the additional tax that is imposed upon the seller whenever the sale in fact is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the sales of the business are exclusively at wholesale.

(3) Tax upon contractors.

(A) Upon every person engaging or continuing within the State in the business of contracting, the tax shall be equal to four per cent of the gross income of the business.

(B) In computing the tax levied under this paragraph, there shall be deducted from the gross income of
the taxpayer so much thereof as has been included
in the measure of the tax levied under
subparagraph (A), on:

(i) Another taxpayer who is a contractor, as
defined in section 237-6;

(ii) A specialty contractor, duly licensed by the
department of commerce and consumer affairs
pursuant to section 444-9, in respect of the
specialty contractor's business; or

(iii) A specialty contractor who is not licensed
by the department of commerce and consumer
affairs pursuant to section 444-9, but who
performs contracting activities on federal
military installations and nowhere else in
this State;

provided that any person claiming a deduction
under this paragraph shall be required to show in
the person's return the name and general excise
number of the person paying the tax on the amount
deducted by the person.
(C) In computing the tax levied under this paragraph against any federal cost-plus contractor, there shall be excluded from the gross income of the contractor so much thereof as fulfills the following requirements:

(i) The gross income exempted shall constitute reimbursement of costs incurred for materials, plant, or equipment purchased from a taxpayer licensed under this chapter, not exceeding the gross proceeds of sale of the taxpayer on account of the transaction; and

(ii) The taxpayer making the sale shall have certified to the department that the taxpayer is taxable with respect to the gross proceeds of the sale, and that the taxpayer elects to have the tax on gross income computed the same as upon a sale to the state government.

(D) A person who, as a business or as a part of a business in which the person is engaged, erects,
constructs, or improves any building or structure, of any kind or description, or makes, constructs, or improves any road, street, sidewalk, sewer, or water system, or other improvements on land held by the person (whether held as a leasehold, fee simple, or otherwise), upon the sale or other disposition of the land or improvements, even if the work was not done pursuant to a contract, shall be liable to the same tax as if engaged in the business of contracting, unless the person shows that at the time the person was engaged in making the improvements the person intended, and for the period of at least one year after completion of the building, structure, or other improvements the person continued to intend to hold and not sell or otherwise dispose of the land or improvements. The tax in respect of the improvements shall be measured by the amount of the proceeds of the sale or other disposition that is attributable to the erection,
construction, or improvement of such building or
structure, or the making, constructing, or
improving of the road, street, sidewalk, sewer,
or water system, or other improvements. The
measure of tax in respect of the improvements
shall not exceed the amount which would have been
taxable had the work been performed by another,
subject as in other cases to the deductions
allowed by subparagraph (B). Upon the election
of the taxpayer, this paragraph may be applied
notwithstanding that the improvements were not
made by the taxpayer, or were not made as a
business or as a part of a business, or were made
with the intention of holding the same. However,
this paragraph shall not apply in respect of any
proceeds that constitute or are in the nature of
rent; all such gross income shall be taxable
under paragraph (9); provided that insofar as the
business of renting or leasing real property
under a lease is taxed under section 237-16.5,
the tax shall be levied by section 237-16.5.
(4) Tax upon theaters, amusements, radio broadcasting stations, etc.

(A) Upon every person engaging or continuing within the State in the business of operating a theater, opera house, moving picture show, vaudeville, amusement park, dance hall, skating rink, radio broadcasting station, or any other place at which amusements are offered to the public, the tax shall be equal to four per cent of the gross income of the business, and in the case of a sale of an amusement at wholesale under section 237-4(a)(13), the tax shall be [subject to section 237-13.3-] one-half of one per cent of the gross income.

(B) The department may require that the person rendering an amusement at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the
person rendering the amusement, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering the amusement at wholesale.

(5) Tax upon sales representatives, etc. Upon every person classified as a representative or purchasing agent under section 237-1, engaging or continuing within the State in the business of performing services for another, other than as an employee, there is likewise hereby levied and shall be assessed and collected a tax equal to four per cent of the commissions and other compensation attributable to the services so rendered by the person.

(6) Tax on service business.

(A) Upon every person engaging or continuing within the State in any service business or calling
including professional services not otherwise specifically taxed under this chapter, there is likewise hereby levied and shall be assessed and collected a tax equal to four per cent of the gross income of the business, and in the case of a wholesaler under section 237-4(a)(10), the tax shall be equal to one-half of one per cent of the gross income of the business. [Notwithstanding the foregoing, a wholesaler under section 237-4(a)(10) shall be subject to section 237-13.3.]

(B) The department may require that the person rendering a service at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the person rendering the service, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and
(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering services at wholesale.

(C) Where any person is engaged in the business of selling interstate or foreign common carrier telecommunication services within and without the State, other than as a home service provider, the tax shall be imposed on that portion of gross income received by a person from service which is originated or terminated in this State and is charged to a telephone number, customer, or account in this State notwithstanding any other state law (except for the exemption under section 237-23(a)(1)) to the contrary. If, under the Constitution and laws of the United States, the entire gross income as determined under this paragraph of a business selling interstate or foreign common carrier telecommunication services cannot be included in the measure of the tax, the
gross income shall be apportioned as provided in section 237-21; provided that the apportionment factor and formula shall be the same for all persons providing those services in the State.

(D) Where any person is engaged in the business of a home service provider, the tax shall be imposed on the gross income received or derived from providing interstate or foreign mobile telecommunications services to a customer with a place of primary use in this State when such services originate in one state and terminate in another state, territory, or foreign country; provided that all charges for mobile telecommunications services which are billed by or for the home service provider are deemed to be provided by the home service provider at the customer's place of primary use, regardless of where the mobile telecommunications originate, terminate, or pass through; provided further that the income from charges specifically derived from interstate or foreign mobile telecommunications
services, as determined by books and records that are kept in the regular course of business by the home service provider in accordance with section 239-24, shall be apportioned under any apportionment factor or formula adopted under subparagraph (C). Gross income shall not include:

(i) Gross receipts from mobile telecommunications services provided to a customer with a place of primary use outside this State;

(ii) Gross receipts from mobile telecommunications services that are subject to the tax imposed by chapter 239;

(iii) Gross receipts from mobile telecommunications services taxed under section 237-13.8; and

(iv) Gross receipts of a home service provider acting as a serving carrier providing mobile telecommunications services to another home service provider's customer.
For the purposes of this paragraph, "charges for mobile telecommunications services", "customer", "home service provider", "mobile telecommunications services", "place of primary use", and "serving carrier" have the same meaning as in section 239-22.

(7) Tax on insurance producers. Upon every person engaged as a licensed producer pursuant to chapter 431, there is hereby levied and shall be assessed and collected a tax equal to 0.15 per cent of the commissions due to that activity.

(8) Tax on receipts of sugar benefit payments. Upon the amounts received from the United States government by any producer of sugar (or the producer's legal representative or heirs), as defined under and by virtue of the Sugar Act of 1948, as amended, or other Acts of the Congress of the United States relating thereto, there is hereby levied a tax of one-half of one per cent of the gross amount received; provided that the tax levied hereunder on any amount so received and actually disbursed to another by a
producer in the form of a benefit payment shall be 
paid by the person or persons to whom the amount is 
actually disbursed, and the producer actually making a 
benefit payment to another shall be entitled to claim 
on the producer's return a deduction from the gross 
amount taxable hereunder in the sum of the amount so 
disbursed. The amounts taxed under this paragraph 
shall not be taxable under any other paragraph, 
subsection, or section of this chapter. 

(9) Tax on other business. Upon every person engaging or 
continuing within the State in any business, trade, 
activity, occupation, or calling not included in the 
preceding paragraphs or any other provisions of this 
chapter, there is likewise hereby levied and shall be 
assessed and collected, a tax equal to four per cent 
of the gross income thereof. In addition, the rate 
prescribed by this paragraph shall apply to a business 
taxable under one or more of the preceding paragraphs 
or other provisions of this chapter, as to any gross 
income thereof not taxed thereunder as gross income or
1 gross proceeds of sales or by taxing an equivalent
2 value of products, unless specifically exempted."
3 
4 SECTION 4. Section 237-16.5, Hawaii Revised Statutes, is
5 amended by amending subsection (g) to read as follows:
6 "(g) After allocation under subsection (c), if necessary,
7 the deduction under this section shall be allowed from the gross
8 proceeds or gross income of the lessee received from its
9 sublease in an amount calculated by multiplying the gross
10 proceeds or gross income paid by the lessee to its lessor for
11 the lease of the real property by [the following amount]:
12 (1) In calendar year 1998, .125;
13 (2) In calendar year 1999, .25;
14 (3) In calendar year 2000, .375;
15 (4) In calendar year 2001, .50;
16 (5) In calendar year 2002, .625;
17 (6) In calendar year 2003, .75; and
18 (7) In calendar year 2004, and thereafter, .875.
19 The amount calculated [under paragraphs (1) to (7)] shall
20 be deducted by the lessee from the lessee's total reported gross
21 proceeds or gross income. The deduction allowed by this
subsection may be taken by the fiscal and calendar year lessees."

SECTION 5. Section 238-2.3, Hawaii Revised Statutes, is amended to read as follows:

"§238-2.3 Imposition of tax on imported services or contracting; exemptions. There is hereby levied an excise tax on the value of services or contracting as defined in section 237-6 that are performed by an unlicensed seller at a point outside the State and imported or purchased for use in this State. The tax imposed by this chapter shall accrue when the service or contracting as defined in section 237-6 is received by the importer or purchaser and becomes subject to the taxing jurisdiction of the State. The rates of the tax hereby imposed and the exemptions from the tax are as follows:

(1) If the importer or purchaser is licensed under chapter 237 and is:

(A) Engaged in a service business or calling in which the imported or purchased services or contracting become identifiable elements, excluding overhead, of the services rendered by the importer or purchaser, and the gross income of the importer
or purchaser is subject to the tax imposed under chapter 237 on services at the rate of one-half of one per cent [ex the rate of tax imposed under section 237-13.3];

(B) A manufacturer importing or purchasing services or contracting that become identifiable elements, excluding overhead, of a finished or saleable product (including the container or package in which the product is contained) and the finished or saleable product is to be sold in a manner that results in a further tax on the manufacturer as a wholesaler, and not a retailer; or

(C) A contractor importing or purchasing contracting that become identifiable elements, excluding overhead, of the finished work or project required under the contract; provided that:

(i) The gross proceeds derived by the contractor are subject to the tax under section 237-13(3) as a contractor; and

(ii) The contractor could have deducted amounts paid to the subcontractor under section 237-
13(3)(B) if the subcontractor was subject to general excise tax under chapter 237;

there shall be no tax imposed on the value of the imported or purchased services or contracting;

provided that if the manufacturer is also engaged in business as a retailer as classified under chapter 237, paragraph (2) shall apply to the manufacturer, but the director of taxation shall refund to the manufacturer, in the manner provided under section 231-23(c), that amount of tax that the manufacturer, to the satisfaction of the director, shall establish to have been paid by the manufacturer to the director with respect to services that have been used by the manufacturer for the purposes stated in this paragraph.

(2) If the importer or purchaser is a person licensed under chapter 237 and is:

(A) Engaged in a service business or calling in which the imported or purchased services or contracting become identifiable elements, excluding overhead,
purchaser, and the gross income from those services when sold by the importer or purchaser is subject to the tax imposed under chapter 237 at the highest rate;

(B) A manufacturer importing or purchasing services or contracting that become identifiable elements, excluding overhead, of the finished or saleable manufactured product (including the container or package in which the product is contained) and the finished or saleable product is to be sold in a manner that results in a further tax under chapter 237 on the activity of the manufacturer as a retailer; or

(C) A contractor importing or purchasing services that become identifiable elements, excluding overhead, of the finished work or project required, under the contract, and where the gross proceeds derived by the contractor are subject to the tax under section 237-13(3) as a contractor,
the tax shall be one-half of one per cent of the value
of the imported or purchased services or contracting;
and
(3) In all other cases, the importer or purchaser is
subject to the tax at the rate of four per cent on the
value of the imported or purchased services or
contracting."

SECTION 6. Section 239-5, Hawaii Revised Statutes, is
amended by amending subsection (c) to read as follows:
"(c) Notwithstanding subsection (a), the rate of tax upon
the portion of the gross income of:

(1) A public utility that consists of the receipts from
the sale of its products or services to another public
utility that resells such products or services shall
be one-half of one per cent; or

(2) A public utility engaged in the business of selling
telecommunication services to a person defined in
section 237-13(6)(C) who resells such products or
services, shall be [as follows:]
(A) In calendar year 2000, 5.5 per cent;
(B) In calendar year 2001, 5.0 per cent;
(C) In calendar year 2002, 4.5 per cent;
(D) In calendar year 2003, 4.0 per cent;
(E) In calendar year 2004, 3.5 per cent;
(F) In calendar year 2005, 3.0 per cent;
(G) In calendar year 2006, 2.5 per cent; and
(H) In calendar year 2007, and thereafter, 0.5 per cent; one-half of one per cent;
provided that the resale of the products, services, or telecommunication services is subject to taxation under this section or subject to taxation at the highest rate under section 237-13(6); and provided further that the public utility's exemption from real property taxes imposed by chapter 246 shall be reduced by the proportion that its public utility gross income described herein bears to its total public utility gross income. Whenever the public utility has other public utility gross income, the gross income from the sale of its products or services to another public utility or a person subject to section 237-13(6)(C) shall be included in applying subsection (a) in determining the rate of tax upon the other public utility gross income. The department shall have the authority to implement the tax rate changes in paragraph (2) by prescribing
tax forms and instructions that require tax reporting and
payment by deduction, allocation, or any other method to
determine tax liability with due regard to the tax rate
changes."

SECTION 7. Section 239-6, Hawaii Revised Statutes, is
amended by amending subsection (d) to read as follows:
"(d) Notwithstanding subsections (a), (b), and (c), the
rate of tax upon the portion of the gross income of a motor
carrier which consists of the receipts from the sale of its
products or services to a contractor shall be [as follows:]

(1) In calendar year 2000, 3.5 per cent;
(2) In calendar year 2001, 3.0 per cent;
(3) In calendar year 2002, 2.5 per cent;
(4) In calendar year 2003, 2.0 per cent;
(5) In calendar year 2004, 1.5 per cent;
(6) In calendar year 2005, 1.0 per cent; and
(7) In calendar year 2006, and thereafter, 0.5 per cent;]

one-half of one per cent;
provided that there is a resale of the products or services and
the resale by the contractor is subject to taxation at the
highest rate under section 237-13; the gross income of the motor
carrier is not divided as provided in the definition of "gross
ingcome" in section 239-2 for the tax imposed under this chapter
or chapter 237; and the gross income of the motor carrier from
the sale of its products or services to the contractor is not
subject to a deduction under chapter 237 by the contractor; and
in the case of services provided by the motor carrier, the
benefit of the service passes to the customer of the contractor
as an identifiable element of the contracting or service
provided by the contractor and does not constitute overhead as
defined in section 237-1.

[The department shall have the authority to implement the
tax rate changes in paragraphs (1) through (7) by prescribing
tax forms and instructions that require tax reporting and
payment by deduction, allocation, or any other method to
determine tax liability with due regard to the tax rate
changes.]

For purposes of this subsection, "contractor" has the same
meaning as defined in section 237-6."

SECTION 8. Section 237-13.3, Hawaii Revised Statutes, is
repealed.

(1) In calendar year 2000, 3.5 per cent;

(2) In calendar year 2001, 3.0 per cent;

(3) In calendar year 2002, 2.5 per cent;

(4) In calendar year 2003, 2.0 per cent;

(5) In calendar year 2004, 1.5 per cent;

(6) In calendar year 2005, 1.0 per cent; and

(7) In calendar year 2006 and thereafter, the tax shall be 0.5 per cent.

(b) The department shall have the authority to implement the tax rate changes in subsection (a) by prescribing tax forms..."
and instructions that require tax reporting and payment by
deduction, allocation, or any other method to determine tax
liability with due regard to the tax rate changes."

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

SECTION 10. This Act shall take effect on July 1, 2015.
July 1, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai’i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 1, 2015, the following bill was signed into law:

SB359 SD1 HD1 CD1 RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX ACT 185 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai’i
A BILL FOR AN ACT

RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX.

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

PART I

SECTION 1. The legislature finds that, due to Hawaii's reduced demand for fossil fuels, revenues from the barrel tax have decreased over several years. Such decreases are expected with the increased fuel efficiency of vehicles, use of hybrid and electric vehicles, as well as renewable energy efforts in other sectors of Hawaii's economy. However, the need to respond to environmental issues has not diminished. In recent years, funding for the programs supported by the environmental response revolving fund have proven to be a challenge, as the revenues it receives from its share of the barrel tax have decreased. The legislature finds that funding environmental protection projects, emergency response cleanups, and other efforts which provide for public health by mitigating environmental health hazards are a critical public service.

The purpose of this part is to ensure ongoing funding for environmental projects, in a transparent and stable manner, by
imposing the environmental response, energy, and food security
tax on fossil fuel and allocating it to advance Hawaii's clean
energy, food security, and climate change policies.

SECTION 2. Section 243-1, Hawaii Revised Statutes, is
amended by amending the definition of "distributor" to read as
follows:

"Distributor" means:

(1) Every person who refines, manufactures, produces, or
compounds liquid fuel or fossil fuel in the State and
sells or uses the same therein;

(2) Every person who imports or causes to be imported into
the State any liquid fuel or fossil fuel and sells it
therein, whether in the original packages or
containers in which it is imported or otherwise than
in [such] the original packages or containers, or who
imports any [such] liquid fuel or fossil fuel for the
person's own use in the State;

(3) Every person who acquires liquid fuel or fossil fuel
from a person not a licensed distributor and sells or
uses it, whether in the original package or container
in which it was imported (if imported) or otherwise
than in [such] the original package or container; and
(4) Every person who acquires liquid fuel or fossil fuel
from a licensed distributor as a wholesaler thereof
and sells or uses it."

SECTION 3. Section 243-3.5, Hawaii Revised Statutes, is
amended to read as follows:

"§243-3.5 Environmental response, energy, and food
security tax; uses. (a) In addition to any other taxes
provided by law, subject to the exemptions set forth in section
243-7, there is hereby imposed a state environmental response,
energy, and food security tax on each barrel or fractional part
of a barrel of petroleum product sold by a distributor to any
retail dealer or end user of petroleum product, other than a
refiner. The tax shall be $1.05 on each barrel or fractional
part of a barrel of petroleum product that is not aviation fuel;
provided that of the tax collected pursuant to this subsection:
(1) 5 cents of the tax on each barrel shall be deposited
into the environmental response revolving fund established under section 128D-2;
(2) 15 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;

(3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section [4]304A-2169.1[+]; and

(4) 15 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.

The tax imposed by this subsection shall be paid by the distributor of the petroleum product.

(b) In addition to subsection (a), the tax shall also be imposed on each one million British thermal units of fossil fuel sold by a distributor to any retail dealer or end user, other than a refiner, of fossil fuel. The tax shall be 19 cents on each one million British thermal units of fossil fuel; provided that of the tax collected pursuant to this subsection:

(1) 4.8 per cent of the tax on each one million British thermal units shall be deposited into the environmental response revolving fund established under section 128D-2;
1 (2) 14.3 per cent of the tax on each one million British thermal units shall be deposited into the energy security special fund established under section 201-12.8;

2 (3) 9.5 per cent of the tax on each one million British thermal units shall be deposited into the energy systems development special fund established under section 304A-2169.1; and

3 (4) 14.3 per cent of the tax on each one million British thermal units shall be deposited into the agricultural development and food security special fund established under section 141-10.

4 The tax imposed by this subsection shall be paid by the distributor of the fossil fuel.

5 (c) The tax imposed under subsection (b) shall not apply to coal used to fulfill a signed power purchase agreement between an independent power producer and an electric utility that is in effect as of June 30, 2015. An independent power producer shall be permitted to pass the tax imposed under subsection (b) on to an electric utility. In which case, the electric utility may recover the cost of the tax through an
appropriate surcharge to the end user that is approved by the public utilities commission.

(d) A gas utility shall be allowed to recover the cost of the tax imposed under subsection (b) as part of its fuel cost in its fuel adjustment charge without further approval by the public utilities commission.

(e) Each distributor subject to the tax imposed by subsection (a) or (b), on or before the last day of each calendar month, shall file with the director, on forms prescribed, prepared, and furnished by the director, a return statement of the tax under this section for which the distributor is liable for the preceding month. The form and payment of the tax shall be transmitted to the department of taxation in the appropriate district.

(f) Notwithstanding section 248-8 to the contrary, the environmental response, energy, and food security tax collected under this section shall be paid over to the director of finance for deposit as provided in subsection (a) or (b), as the case may be.

(g) Every distributor shall keep in the State and preserve for five years a record in such a form as the
department of taxation shall prescribe showing the total number
of barrels, and the fractional part of barrels, of petroleum
product or the total number of one million British thermal units
of fossil fuel, as the case may be, sold by the distributor
during any calendar month. The record shall show [such] any
other data and figures relevant to the enforcement and
administration of this chapter as the department may require.

(h) For the purposes of this section:

"Barrel" may be converted to million British thermal units,
using the United States Department of Energy, Energy Information
Administration annual energy review or annual energy outlook.

"Fossil fuel" means a hydrocarbon deposit, such as coal,
natural gas, or liquefied natural gas, derived from the
accumulated remains of ancient plants or animals and used for
fuel; provided that the term specifically does not include
petroleum product."

SECTION 4. Act 73, Session Laws of Hawaii 2010, as amended
by Act 107, Session Laws of Hawaii 2014, is amended as follows:
1. By amending section 14 to read:

"SECTION 14. This Act shall take effect on July 1, 2010[†
promulgated by Act 107, Session Laws of Hawaii 2014, is amended as follows:
1. By amending section 14 to read:

"SECTION 14. This Act shall take effect on July 1, 2010[†
provided that sections 2, 3, 4, and 7 of this Act shall be

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repealed on June 30, 2030, and sections 128D-2, 281-12.8, and
243-3.5, Hawaii Revised Statutes, shall be reenacted in the form
in which they read on June 30, 2010]."

2. By repealing section 10:

"[SECTION 10. Any unexpended or unencumbered funds
remaining in the agricultural development and food security
special fund established by this Act, as of the close of
business on June 30, 2030, shall lapse to the credit of the
general fund."

PART II

SECTION 5. The purpose of this part is to address the
environmental response revolving fund, the primary source of
revenues of which is the environmental response, energy, and
food security tax.

More specifically, this part:

(1) Authorizes the expenditure of moneys from the
environmental response revolving fund to be used for
specific purposes;

(2) Provides for the transfer of excess moneys in the
environmental response revolving fund under certain
conditions; and
(3) Repeals the requirement that certain positions be funded by the environmental response revolving fund. The legislature intends that the positions be authorized and funded in accordance with the general appropriations act, as may be amended by the supplemental appropriations act; and

(4) Requires the director of health to submit reports to the legislature regarding the environmental response revolving fund.

The legislature finds that this part is necessary to better direct and focus the use of the environmental response revolving fund in light of the projected reduction of revenues from the environmental response, energy, and food security tax.

SECTION 6. Section 128D-2, Hawaii Revised Statutes, is amended to read as follows:

"§128D-2 Environmental response revolving fund; uses. (a) There is created within the state treasury an environmental response revolving fund, which shall consist of moneys appropriated to the fund by the legislature, moneys paid to the fund as a result of departmental compliance proceedings, moneys paid to the fund pursuant to court-ordered awards or judgments,
moneys paid to the fund in court-approved or out-of-court
settlements, all interest attributable to investment of money
deposited in the fund, moneys deposited in the fund from the
environmental response, energy, and food security tax pursuant
to section 243-3.5, and moneys allotted to the fund from other
sources.

(b) Moneys from the fund shall be expended by the
department for [response-actions and preparedness, including
removal and remedial actions, consistent with this chapter;
provided that the revenues generated by the environmental
response, energy, and food security tax deposited into the
environmental response revolving fund+] the following:

(1) [Shall be used:]

(A) For oil spill planning, prevention, preparedness,
education, research, training, removal, and]
Removal, remediation[ ], and detection of oil and
pollutant or contaminant releases;

[(B) For direct support for county used oil recycling
programs, and]

(2) [May also be used to support environmental protection
and natural resource protection programs, including]
energy conservation and alternative energy
development, and to address concerns related to air
quality, global warming, clean water, polluted runoff,
solid waste, drinking water, and underground storage tanks,
including support for the underground storage tank
program of the department and funding for the
acquisition by the State of a soil remediation site
and facility. and any other solid, liquid, or gaseous
substance that may harm the environment; and
(3) The payment of costs listed under section 128D-4(c).
(c) The unexpended and unencumbered moneys in the fund in
excess of $1,250,000 on June 30 of each fiscal year shall be
transferred by the director of finance into and become a
realization of the general fund on that date."

SECTION 7. Section 128D-2.5, Hawaii Revised Statutes, is
amended to read as follows:
"[4]$128D-2.5[+] Toxicologists. The department may
establish permanent exempt positions known as toxicologists for
the purpose of assessing human health risk. The positions shall
be appointed by the director without regard to chapter 76. [The
SECTION 8. Section 128D-2.6, Hawaii Revised Statutes, is amended to read as follows:

"[§128D-2.6] Ecological risk assessor. The department may establish a permanent exempt position for an ecological risk assessor for the purpose of assessing ecological risks and damages. The position shall be appointed by the director without regard to chapter 76. [The funds for this position shall come from the environmental response revolving fund established in section 128D-2; provided that the duties of the ecological risk assessor shall bear a rational nexus to the intent and purposes of [this chapter].]"

SECTION 9. (a) The director of health shall submit to the legislature, by February 1, 2016, a report listing the following for the environmental response revolving fund:

(1) The actual expenditures and encumbrances from July 1, 2015, to December 31, 2015;

(2) The planned expenditures from January 1, 2016, to June 30, 2016; and
(3) The contingency amount planned to be held in reserve throughout the fiscal year for expenditure in the event of a major release. For the purpose of this paragraph, "release" means the same as defined under section 128D-1, Hawaii Revised Statutes.

(b) The director of health shall also submit to the legislature, at least twenty days prior to the convening of the regular session of 2017, a report listing the following for the environmental response revolving fund for fiscal year 2015-2016:

(1) Actual revenues;

(2) Actual expenditures;

(3) Unexpended encumbrances as of June 30, 2016, and the dates of encumbrances of the unexpended amounts; and

(4) The amount, if any, transferred to the general fund on June 30, 2016, pursuant to section 128D-2(c), Hawaii Revised Statutes.

The report shall also specify whether, during fiscal year 2015-2016, the governor increased the ceiling of the revolving fund pursuant to the authority established under section 128D-4(e), Hawaii Revised Statutes.
(c) The reports required under this section shall be in addition to the annual report required under section 128D-13, Hawaii Revised Statutes.

PART III

SECTION 10. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 11. This Act shall take effect on July 1, 2015.

APPROVED this 1 day of JUL, 2015

Amid Y. Ige
GOVERNOR OF THE STATE OF HAWAII
Dear President Kouchi, Speaker Souki, and Members of the Legislature:

Re: SB 1297 SDI HDI CDI

SB 1297 SDI HDI CDI, entitled “A BILL FOR AN ACT RELATING TO DISPOSITION OF TAX REVENUES” will become law without my signature, pursuant to Section 16 of Article III of the State Constitution.

This measure modifies annual deposits from the cigarette tax into the Trauma System Special Fund, Community Health Centers Special Fund, Emergency Medical Services Special Fund, and the Hawai‘i Cancer Research Special Fund. However, by placing annual caps on deposits into these special funds – despite the fact that program costs will continue to increase – the practical effect of this bill is to constrain the flexibility of core public health services supporting statewide infrastructure for emergency medical services, injury prevention, and trauma.

For the Trauma System Special Fund, this reduction amounts to an approximately 17% cut in the program’s budget, which will impact statewide trauma system development and personnel costs.
For the foregoing reasons, SB 1297 SD1 HD1 CD1 will become law as ACT 238 (15), Session laws of Hawai'i 2015, effective July 14, 2015, without my signature.

Sincerely,

David Y. Ige
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO DISPOSITION OF TAX REVENUES.

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

SECTION 1. The purpose of this Act is to address taxes by setting maximum amounts to be distributed to various non-general funds pursuant to the cigarette tax and tobacco tax law. The tax revenues remaining after distribution shall continue to be deposited into the general fund.

By establishing maximum amounts for distribution, the legislature intends that this Act:

(1) Make forecasts of general fund revenues more reliable;
(2) Increase legislative oversight of the agencies and programs supported by the non-general funds; and
(3) Subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

The legislature finds that this Act promotes budgetary planning and transparency.

The legislature further finds that the transient accommodations tax revenues are distributed among the convention...
center, Hawaii tourism authority, and counties by dollar amounts. That distribution method serves as the model for this Act.

SECTION 2. Section 245-15, Hawaii Revised Statutes, is amended to read as follows:

"§245-15 Disposition of revenues. All moneys collected pursuant to this chapter shall be paid into the state treasury as state realizations to be kept and accounted for as provided by law; provided that, of the moneys collected under the tax imposed pursuant to:

(1) Section 245-3(a)(5), after September 30, 2006, and prior to October 1, 2007, 1.0 cent per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(2) Section 245-3(a)(6), after September 30, 2007, and prior to October 1, 2008:

(A) 1.5 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168,
for research and operating expenses and for
capital expenditures;
(B) 0.25 cents per cigarette shall be deposited to
the credit of the trauma system special fund
established pursuant to section 321-22.5; and
(C) 0.25 cents per cigarette shall be deposited to
the credit of the emergency medical services
special fund established pursuant to section 321-
234;

(3) Section 245-3(a)(7), after September 30, 2008, and
prior to July 1, 2009:
(A) 2.0 cents per cigarette shall be deposited to the
credit of the Hawaii cancer research special
fund, established pursuant to section 304A-2168,
for research and operating expenses and for
capital expenditures;
(B) 0.5 cents per cigarette shall be deposited to the
credit of the trauma system special fund
established pursuant to section 321-22.5;
(C) 0.25 cents per cigarette shall be deposited to
the credit of the community health centers
special fund established pursuant to section 321-1.65; and

(D) 0.25 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234;

(4) Section 245-3(a)(8), after June 30, 2009, and prior to July 1, 2013:

(A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(B) 0.75 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 0.75 cents per cigarette shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and
(D) 0.5 cents per cigarette shall be deposited to the
credit of the emergency medical services special
fund established pursuant to section 321-234;

[and]

(5) Section 245-3(a)(11), after June 30, 2013, and

[thereafter:] prior to July 1, 2015:

(A) 2.0 cents per cigarette shall be deposited to the
credit of the Hawaii cancer research special
fund, established pursuant to section 304A-2168,
for research and operating expenses and for
capital expenditures;

(B) 1.5 cents per cigarette shall be deposited to the
credit of the trauma system special fund
established pursuant to section 321-22.5;

(C) 1.25 cents per cigarette shall be deposited to
the credit of the community health centers
special fund established pursuant to section 321-
1.65; and

(D) 1.25 cents per cigarette shall be deposited to
the credit of the emergency medical services
special fund established pursuant to section 321-234[-]; and

(6) Section 245-3(a)(11), after June 30, 2015, and thereafter:

(A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;

(B) 1.125 cents per cigarette, but not more than $7,400,000 in a fiscal year, shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 1.25 cents per cigarette, but not more than $8,800,000 in a fiscal year, shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and

(D) 1.25 cents per cigarette, but not more than $8,800,000 in a fiscal year, shall be deposited to the credit of the emergency medical services
special fund established pursuant to section 321-234.

The department shall provide an annual accounting of these dispositions to the legislature."

SECTION 3. Section 321-22.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the state treasury a special fund to be known as the trauma system special fund to be administered and expended by the department of health. The fund shall consist of:

(1) Surcharges collected pursuant to sections 291-15, 291C-2, and 291E-7;

(2) Cigarette tax revenues designated under section 245-15;

(3) Federal funds granted by Congress or executive order for the purpose of this chapter; provided that the acceptance and use of federal funds shall not commit state funds for services and shall not place an obligation upon the legislature to continue the purpose for which the federal funds are made available;
(4) Funds appropriated by the legislature for this purpose, including grants-in-aid;
(5) Grants, donations, and contributions from private or public sources for the purposes of the trauma system special fund; and
(6) Interest on and other income from the fund, which shall be separately accounted for.

[Funds in the trauma system special fund shall not lapse at the end of the fiscal year.] The unexpended and unencumbered moneys in the fund in excess of $7,400,000 on June 30 of each fiscal year shall be transferred by the director of finance into and become a realization of the general fund on that date.

Expenditures from the trauma system special fund shall be exempt from chapters 103D and 103F."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2015.

APPROVED this day of , 2015

GOVERNOR OF THE STATE OF HAWAII
June 3, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 3, 2015, the following bill was signed into law:

SB1299 HD1 CD1 RELATING TO DISPOSITION OF TAX REVENUES
ACT 084 (15)

Sincerely,

[Signature]
DAVID Y. IGE
Governor, State of Hawai'i
RELATING TO DISPOSITION OF TAX REVENUES.

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

SECTION 1. The legislature finds that budgetary planning and transparency are key components to ensuring the ongoing fiscal health of the State.

By establishing maximum amounts for distribution among the non-general funds, the legislature intends that this Act:

(1) Make forecasts of general fund revenues more reliable;

(2) Increase legislative oversight of the agencies and programs supported by the non-general funds; and

(3) Subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

The purpose of this Act is to address budgetary planning and transparency in the disposition of conveyance tax revenues by:

(1) Setting maximum amounts to be distributed to various non-general funds from the conveyance tax; and
(2) Appropriating general funds to provide continued support of programs either similar to or previously supported by distributions to the natural area reserve fund and its associated programs from conveyance tax revenues.

SECTION 2. Section 195F-4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established a special fund within the state treasury known as the forest stewardship fund which shall be used as follows:

(1) Payments shall be made by the board pursuant to agreements entered into with qualified landowners to further the purposes of this chapter; and

(2) Moneys collected from:

(A) The harvest of non-native forest products from forest reserves;

(B) The harvest of native forest products from degraded forests as defined in section 186-5.5, within forest reserves;

(C) The sale of forest products found dead and lying on the ground;
(D) The sale of tree seedlings from state nurseries;
(E) The sale of any other products or services, or anything of value derived from forest reserves not described above; or
(F) The imposition of fines or penalties for violations of this chapter and chapters 183 and 185 or any rule adopted thereunder;

shall be used for: (i) replanting, managing, and maintaining designated timber management areas; (ii) enhancing the management of public forest reserves with an emphasis on restoring degraded koa forests; and (iii) developing environmental education and training programs pertaining to sustainable forestry;

provided that the activities described in clauses (ii) and (iii) may not be funded unless the activities described in approved management plans pertaining to clause (i) are adequately funded; and

(2) Moneys deposited into the fund as authorized by section 247-7 may also be used by the department to administer the program and manage the forest reserve system."
SECTION 3. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

"§247-7 Disposition of taxes. All taxes collected under this chapter shall be paid into the state treasury to the credit of the general fund of the State, to be used and expended for the purposes for which the general fund was created and exists by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent or $6,800,000, whichever is less, shall be paid into the land conservation fund established pursuant to section 173A-5; and

(2) [Twenty-five per cent from July 1, 2009, until June 30, 2012; thirty per cent from July 1, 2012, until June 30, 2014; and fifty] Fifty per cent [in each fiscal year thereafter] or $38,000,000, whichever is less, shall be paid into the rental housing trust fund established by section 201H-202[t— and

(3) Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year thereafter shall be paid into the natural area reserve fund established by section 195-9; provided that the funds paid into the natural area reserve fund shall be


SB1299 CD1 LRB 15-2645-1.doc
annually disbursed by the department of land and
natural resources in the following priority:

(A) To natural area partnership and forest
stewardship programs after joint consultation
with the forest stewardship committee and the
natural area reserves system commission;

(B) Projects undertaken in accordance with watershed
management plans pursuant to section 171-58 or
watershed management plans negotiated with
private landowners, and management of the natural
area reserves system pursuant to section 195-3;

and

(C) The youth conservation corps established under
chapter 193].

SECTION 4. All remaining moneys deposited into the forest
stewardship fund, established pursuant to section 195F-4, Hawaii
Revised Statutes, in accordance with section 247-7, Hawaii
Revised Statutes, as of the effective date of this Act, may
continue to be used for the administration of forest stewardship
programs and the management of the forest reserve system.
SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of $7,556,128 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 to fund positions and other operating expenditures in natural area reserves and watershed management (LNR407); provided that funds appropriated in this section may be transferred with the approval of the governor to natural area reserves and watershed management (LNR407) in the General Appropriations Act of 2015 (House Bill No. 500, H.D. 1, S.D. 1, C.D. 1) for expenditure. The appropriations of this section shall be expended for the following:

(1) Natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;

(2) Projects undertaken in accordance with watershed management plans pursuant to section 171-58, Hawaii Revised Statutes, or watershed management plans negotiated with private landowners, and management of
the natural area reserves system pursuant to section 195-3, Hawaii Revised Statutes; and

(3) The youth conservation corps established under chapter 193, Hawaii Revised Statutes.

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 6. There is appropriated out of the general revenues of the State of Hawaii the sum of $2,832,996 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 to fund positions and other operating expenditures in forestry - resource management and development (LNR172) for forest reserve management, natural area partnership, and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission; provided that funds appropriated in this section may be transferred with the approval of the governor to forestry - resource management and development (LNR172) in the General Appropriations Act of 2015 (House Bill No. 500, H.D. 1, S.D. 1, C.D. 1) for expenditure.
The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 7. There is appropriated out of the general revenues of the State of Hawaii the sum of $3,405,749 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 to fund positions and other operating expenditures in the native resources and fire protection program (LNR402) for endangered species, watershed, and fire protection; provided that funds appropriated in this section may be transferred with the approval of the governor to the native resources and fire protection program (LNR402) in the General Appropriations Act of 2015 (House Bill No. 500, H.D. 1, S.D. 1, C.D. 1) for expenditure.

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 8. There is appropriated out of the general revenues of the State of Hawaii the sum of $1,500,000 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 for the native resources and fire protection program.
(LNR402) for fire, natural disaster, and emergency response equipment and other current expenses of the native resources and fire protection program.

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 9. There is appropriated out of the general revenues of the State of Hawaii the sum of $4,000,000 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 for the native resources and fire protection program (LNR402) to be expended as directed by the Hawaii invasive species council for invasive species programs statewide; provided that portions of this appropriation may be transferred to other state departments to implement the directions of the invasive species council.

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 10. There is appropriated out of the general revenues of the State of Hawaii the sum of $1,000,000 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year
2016-2017 for LNR - natural and physical environment (LNR906) for the Kahoolawe island reserve commission. The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 11. There is appropriated out of the general revenues of the State of Hawaii the sum of $101,715 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 to fund positions and other expenditures in LNR - natural and physical environment (LNR906) for administrative operating expenses; provided that funds appropriated in this section may be transferred with the approval of the governor to LNR - natural and physical environment (LNR906) in the General Appropriations Act of 2015 (House Bill No. 500, H.D. 1, S.D. 1, C.D. 1) for expenditure.

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 12. There is appropriated out of the general revenues of the State of Hawaii the sum of $350,000 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year
2016-2017 for the funding of soil and water conservation districts in water and land development (LNR141).

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 13. There is appropriated out of the general revenues of the State of Hawaii the sum of $76,260 or so much thereof as may be necessary for fiscal year 2015-2016 and the sum of $152,520 or so much thereof as may be necessary for fiscal year 2016-2017 for the funding of the following positions to support the implementation of the Hawaii ocean resources management plan in ecosystem protection and restoration (LNR401):

<table>
<thead>
<tr>
<th>Position</th>
<th>Six-Month Salary</th>
<th>Twelve-Month Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 FTE planner IV</td>
<td>$23,700</td>
<td>$47,400</td>
</tr>
<tr>
<td>1.0 FTE program specialist IV</td>
<td>$23,700</td>
<td>$47,400</td>
</tr>
<tr>
<td>1.0 FTE program specialist VI</td>
<td>$28,860</td>
<td>$57,720</td>
</tr>
</tbody>
</table>

The sums appropriated shall be expended by the department of land and natural resources for the purposes of this Act.

SECTION 14. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 15. This Act shall take effect on July 1, 2015.

APPROVED this 3 day of JUN, 2015

GOVERNOR OF THE STATE OF HAWAII
June 19, 2015

The Honorable Ronald D. Kouchi, 
President 
and Members of the Senate 
Twenty-Eighth State Legislature 
State Capitol, Room 409 
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki, 
Speaker and Members of the 
House of Representatives 
Twenty-Eighth State Legislature 
State Capitol, Room 431 
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 19, 2015, the following bill was signed into law:

HB1153 SD2 CD1 RELATING TO VETERANS 
ACT 128 (15)

Sincerely,

[Signature]

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO VETERANS.

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

SECTION 1. Chapter 249, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§249- Exemptions for certain vehicles; disabled veterans. (a) A disabled veteran who:

(1) Is a resident of Hawaii;

(2) Has been other than dishonorably discharged from the United States uniformed armed forces;

(3) Is determined by the United States Department of Veterans Affairs or its predecessor to have a service-connected one hundred per cent disability rating for compensation or a service-connected disability rating of one hundred per cent; and

(4) Is in receipt of disability retirement pay from any branch of the uniformed armed forces,

shall be exempt from payment of all annual vehicle registration fees as required by section 249-31. This exemption shall not
extend to vehicles used for commercial purposes, nor to more
than one vehicle owned by the disabled veteran.

(b) The director of the office of veterans' services, in
consultation with the policy advisory board on veterans
services, shall submit a report to the legislature and the
department of taxation no later than twenty days prior to the
convening of each regular session providing the legislature and
the department of taxation with the total number of disabled
veterans who qualify under this section for the exemption from
annual vehicle registration fees."

SECTION 2. Section 249-31, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:
"(a) All vehicles and motor vehicles in the State as
defined in section 249-1, including antique motor vehicles,
except as otherwise provided in sections 249-4 [and], 249-6, and
249- , shall be subject to a $45 annual vehicle registration
fee. The fee shall be paid each year together with all other
taxes and fees levied by this chapter on a staggered basis as
established by each county as authorized by section 286-51, and
the state registration for that county shall likewise be
staggered so that the state registration fee is due and payable
at the same time and shall be collected together with the county
fee. The state registration fee shall be deemed delinquent if
not paid with the county registration fee. The respective
counties shall collect this fee together with the vehicle
registration tax collected for the county and shall transfer the
moneys collected under this section to the State."
SECTION 3. This Act shall apply to motor vehicle
registrations issued or renewed after January 1, 2016.
SECTION 4. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.
SECTION 5. This Act shall take effect upon its approval.

APPROVED this 19 day of JUN, 2015

[Signature]
GOVERNOR OF THE STATE OF HAWAII
June 26, 2015

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 26, 2015, the following bill was signed into law:

SB159 SD1 HD1 RELATING TO THE REPEAL OF NON-GENERAL FUNDS
ACT 147 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO THE REPEAL OF NON-GENERAL FUNDS.

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

1

PART I

SECTION 1. The purpose of this part is to repeal the

3 Captain Cook memorial fund.

4 The legislature finds that the fund is no longer necessary.

5 It has had no activity in recent years and a very small balance.

6 SECTION 2. Section 6E-4, Hawaii Revised Statutes, is

7 amended to read as follows:

8 "[§]§6E-4[1] Administration. All state historic areas and

9 buildings surplus to the operations of the department of

10 accounting and general services shall be transferred by

11 executive order to the department [except as provided in

12 section 6E-33]. All state projects and programs relating to

13 historic preservation shall come under the authority of the

14 department."

15 SECTION 3. Section 6E-33, Hawaii Revised Statutes, is

16 repealed.
"[§6E-33]—Captain Cook Memorial Fund. All moneys in the
Captain Cook memorial fund or which may be paid into the same
from the proceeds of sales or which may be received by way of
gift or otherwise for any of the purposes provided by this
section, the acceptance of such gifts and the receipt of such
funds being authorized, shall be expendable by the comptroller
from time to time for any of the purposes provided by this
section, and any original historical documents or other
articles, or copies, facsimiles, or replicas thereof, so
collected, and copies of publications made under this section
shall be deposited in the archives of Hawaii to constitute a
collection to be known as the "Captain Cook Memorial
Collection."

The comptroller may purchase or otherwise acquire original
books, mementos, pamphlets, documents, or other articles of
historical value relating to the life of Captain James Cook, or
connected with the history, discovery, and exploration of the
Hawaiian Islands, or copies, facsimiles, or replicas thereof of
other data relating thereto, and prepare and publish in the
comptroller's discretion books, documents, pamphlets, or other publications relating thereto.

The comptroller may distribute free copies of such publications to libraries, museums, and other places of reference open to the public in the United States or in other countries, not to exceed, however, one third of the number of copies of each published. The remaining copies may be sold at such reasonable prices as may be fixed by the comptroller, the proceeds of such sales to be paid into the trust fund."

PART II

SECTION 4. The purpose of this part is to repeal the food distribution program revolving fund.

The legislature finds that the revolving fund has no balance or recent activity. Thus, the legislature finds that the revolving fund is not necessary.

SECTION 5. Section 302A-1315, Hawaii Revised Statutes, is repealed.


(a) There is established the food-distribution program revolving fund to be administered by the department.
(b) The food distribution program revolving fund shall consist of:

(1) Administrative fees collected by the department for administering and operating the food distribution program;

(2) All interest earned on the deposit or investment of moneys in the food distribution program revolving fund; and

(3) Any other moneys made available to the food distribution program revolving fund from other sources.

(c) The food distribution program revolving fund shall be used by the department for the collection and disbursement of generated revenue to support the administration and operation of the food distribution program pursuant to 7 Code of Federal Regulations section 250.15.

(d) The balance in the food distribution program revolving fund shall not exceed $2,000,000 to pay for services rendered by state contracted warehouses for the distribution of federal commodity foods to the recipient agencies. Any moneys remaining
PART III

SECTION 6. The purpose of this part is to address the public health nursing services special fund, which is the source of funding for the program providing case management services for medically fragile children.

More specifically, this part repeals the special fund, but retains the case management services program.

The legislature finds that the special fund has a relatively low balance and minimal activity. Thus, the legislature finds that the special fund is not necessary.

The legislature believes that case management services for medically fragile children is worthy of continuation. Accordingly, the legislature retains reference to the program in statute and intends that it be provided with general funds.

SECTION 7. Chapter 321, Hawaii Revised Statutes, is amended by amending the title of part XXXV to read as follows:

"[!]PART XXXV. [!]—PUBLIC HEALTH NURSING SERVICES SPECIAL FUND

CASE MANAGEMENT SERVICES FOR MEDICALLY FRAGILE CHILDREN"
SECTION 8. Section 321-432, Hawaii Revised Statutes, is amended to read as follows:

"[]§321-432[]—Public-health-nursing-services-special fund. (a) There is established within the state treasury a special fund to be known as the public-health-nursing-services special fund. The special fund shall be administered and expended by the department of health in accordance with this section.

(b) Case management services for medically fragile children. The department of health shall provide ongoing case management services and staff training in case management services in collaboration with the department of human services' medicaid early and periodic screening, diagnosis, and treatment program, including but not limited to:

(1) Assessment of children who are medically fragile to determine service needs;

(2) Development of a specific care plan;

(3) Referral for and linkages to services to implement the specific care plan; and
(4) Monitoring and follow-up.

[(c) The special fund shall consist of Medicaid] Medicaid reimbursements received by the department for case management services provided to families of medically fragile children[-] shall be deposited into the general fund."

PART IV

SECTION 9. The purpose of this part is to repeal the blind shop revolving and handicraft fund.

The legislature finds that the revolving fund has a relatively low balance. Thus, the legislature finds that the revolving fund is not necessary.

Although the revolving fund is repealed, this part retains the department of human services' authority to provide the blind workshop and home labor program using other sources of funding to be determined under the executive budget process.

SECTION 10. Section 347-12, Hawaii Revised Statutes, is amended to read as follows:

"§347-12 Blind shop [revolving] and handicraft [fund] program. The [department of budget and finance shall create and maintain a revolving fund entitled "blind shop revolving and
handicraft fund". This fund may be used by the] department of human services [for] may provide a workshop [purposes] or home labor [purposes] program for the blind or others, who, in the opinion of the department of human services, will [be benefited by such] benefit from the experience [and all moneys in the fund may be expended for materials, machinery, and other facilities and for the erection, operation, and conduct of such workshops and for the payment of such compensation as the department of human services authorizes. All proceeds derived from the sale of products of the workshops or the home labor shall be deposited in the fund]. Under the program, the department may train blind or other persons to produce crafts and other products for sale.

This section shall be subject to any federal policies, rules, or regulations[—which] that may be applicable in order to obtain federal aid or the cooperation of any federal agency concerned."

PART V

SECTION 11. The following funds are abolished:

SB159 HD1 HMS 2015-2768
(1) The donations for voter registration drive trust account established in 1984 and administered by the department of accounting and general services;

(2) The Hawaii FYI - ICSD trust account administratively established in 1996 and administered by the department of accounting and general services;

(3) The parking control revolving fund escrow account administered by the department of accounting and general services;

(4) The returned ACH tax refunds trust account administratively established in 2004 and administered by the department of accounting and general services;

(5) The HDOA biocontrol foreign exploration special fund created in 2010 and administered by the department of agriculture;

(6) The Hawaii EUTF self-directed investments trust account created in 2007 and administered by the department of budget and finance; and

(7) An account controlled by the state commission on fatherhood,
and any remaining balances shall be transferred to the general fund.

SECTION 12. On July 1, 2015, all unexpended and unencumbered balances remaining in the accounts and funds repealed by this Act shall lapse to the credit of the general fund; provided that the director of finance shall transfer the unencumbered balance in the Captain Cook memorial fund to the state parks special fund.

PART VI

SECTION 13. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 14. This Act shall take effect on July 1, 2015.
June 12, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 12, 2015, the following bill was signed into law:

SB160 SD2 HD1 CD1 RELATING TO UNIVERSITY OF HAWAII NON-
GENERAL FUNDS
ACT 106 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO UNIVERSITY OF HAWAII NON-GENERAL FUNDS.

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

PART I

SECTION 1. Chapter 304A, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§304A- University of Hawaii quasi-endowment trust fund. There is established the University of Hawaii quasi-endowment trust fund into which shall be deposited income derived from the university's endowment fund. Income deposited into this account may be expended by the university as set forth by the board of regents in policies and guidelines for costs and expenses associated with student financial aid programs, including scholarships and student support services, awards, and project opportunities for the university."

PART II

SECTION 2. The purpose of this part is to reclassify the Hawaii educator loan program special fund as a revolving fund.

SECTION 3. Section 304A-701, Hawaii Revised Statutes, is amended by amending subsection (g) to read as follows:
"(g) In accordance with chapter 103D, the university may enter into written contracts with collection agencies for the purpose of collecting delinquent loans. All payments collected, exclusive of a collection agency's commissions, shall revert, and be credited, to the Hawaii educator loan program [special] revolving fund. A collection agency that enters into a written contract with the university for the collection of delinquent loans pursuant to this section may collect a commission from the debtor in accordance with the terms of, and up to the amounts authorized in, the written contract."

SECTION 4. Section 304A-703, Hawaii Revised Statutes, is amended to read as follows:

"[4]§304A-703[4] Capacity of minors in qualifying for Hawaii educator loans. Any student otherwise qualifying for a loan under the Hawaii educator loan program [special] revolving fund shall not be disqualified because the student is under the age of eighteen years, and for the purpose of applying for, receiving, and repaying the loan, any such person shall be deemed to have full legal capacity to act and shall have all rights, powers, privileges, and obligations of an adult with respect thereto."
SECTION 5. Section 304A-704, Hawaii Revised Statutes, is amended to read as follows:

"[§]§304A-704[§] Rules governing Hawaii educator loan program [special] revolving fund. The university may adopt rules to implement the Hawaii educator loan program. The rules shall be adopted pursuant to chapter 91 but shall be exempt from the public notice and public hearing requirements."

SECTION 6. Section 304A-2161, Hawaii Revised Statutes, is amended to read as follows:

"[§]§304A-2161[§] Hawaii educator loan program [special] revolving fund. There is established the Hawaii educator loan program [special] revolving fund, for the purpose of providing loans pursuant to section [§]304A-701[§]. The following may be deposited into the special fund: appropriations made by the legislature, private contributions, repayment of loans, including interest and payments received on account of principal, and moneys from other sources[ provided that:

(1) Moneys on balance in the special fund at the close of each fiscal year shall remain in that fund and shall not lapse to the credit of the general fund, and
shall be deposited into the revolving fund and shall be expended by the University. An amount from the [special] revolving fund not exceeding five per cent of the total amount of outstanding loans may be set by the university to be used for administrative expenses incurred in administering the [special] revolving fund."

PART III

SECTION 7. The purpose of this part is to repeal the Hawaii medical education special fund.

The legislature finds that the fund no longer serves the purpose for which it was created, does not meet the criteria for a special fund, and should be repealed.

SECTION 8. Section 304A-1702, Hawaii Revised Statutes, is amended by amending subsections (b), (c), and (d) to read as follows:

"[(b) The program shall be funded with moneys received for graduate medical education and deposited into the Hawaii medical education special fund established under section [304A-2164].

(e)] (b) All funding for the graduate medical education program shall be nonlapsing."
[(d)] (c) Program moneys shall only be expended if:

(1) Approved by the medical education council; and

(2) Used for graduate medical education in accordance with sections [§]304A-1704[§] and [§]304A-1705[§]."

SECTION 9. Section 304A-2164, Hawaii Revised Statutes, is repealed.

"[§304A-2164]—Hawaii medical education special fund.

There is established a Hawaii medical education special fund, into which shall be deposited all funds received by the medical education council, including:

(1) Moneys from the federal Centers for Medicaid and Medicare Services or other federal agencies;

(2) State appropriations; and

(3) Grants, contracts, donations, or private contributions.

The fund shall be administered by the university. Moneys deposited in the fund shall be expended by the university for the purposes of the graduate medical education program established under section [§304A-1702]."

PART IV
SECTION 10. The purpose of this part is to repeal the discoveries and inventions special fund.

The legislature finds that the fund does not meet the criteria for a special fund and should be repealed.

SECTION 11. Section 304A-2253, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) Notwithstanding sections 304A-107 and [304A-2174], to the contrary, the board of regents or its designee, may establish a separate account within the research and training revolving fund for the purpose of providing advance funding to meet reimbursable costs incurred in connection with federally financed research and training projects. Any reimbursement received as a result of providing advance funding shall be deposited into the research and training revolving fund to be used for the purpose of meeting reimbursable costs incurred in connection with federally financed projects."

SECTION 12. Section 304A-2174, Hawaii Revised Statutes, is repealed.

"[§304A-2174]—Discoveries and inventions special fund. There is established a discoveries and inventions special fund into which shall be deposited a portion of the total indirect
overhead funds generated by the university for research and training purposes in the prior fiscal year, as determined by the board of regents. Appropriations by the legislature subject to the approval of the governor, proceeds from the commercial exploitation of inventions and intellectual property developed at the university, gifts, donations, fees collected, and grants from public agencies and private persons may also be deposited into the special fund for the purposes of supporting innovation and research commercialization and the patenting, copyrighting, licensing, and marketing of discoveries, inventions, and technologies developed at the university. The special fund shall be used to develop technologies that have potential commercial value, support the administration of technology transfer activities, and facilitate economic development through education and research undertaken at the university."

PART V

SECTION 13. The purpose of this part is to repeal the University of Hawaii alumni special fund. The legislature finds that the fund no longer serves the purpose for which it was created and should be repealed.
SECTION 14. Section 304A-2175, Hawaii Revised Statutes, is repealed.

["§304A-2175—University of Hawaii alumni special fund.

There is established the University of Hawaii alumni special fund into which shall be deposited funds and proceeds received by the university from alumni activities and donations from alumni. Funds deposited into this special fund may be expended by the university for all costs associated with conducting alumni affairs, activities, and programs for the university system, including but not limited to expenses for honoraria, hotel and room rentals, food and refreshment, printing and mailing, banners and signs, plaques and awards, airfare and per diem, leis, rental of audiovisual, musical, and stage equipment, and activity supplies and materials, without regard to statutory competitive bidding requirements."

PART VI

SECTION 15. The purpose of this part is to repeal the animal research farm, Waialee, Oahu special fund. The legislature finds that the fund no longer serves its original purpose, does not meet the criteria for a special fund, and should be repealed.
SECTION 16. Section 304A-2177, Hawaii Revised Statutes, is repealed.

"[§304A-2177]—Animal research farm, Waialee, Oahu—special fund. There is established the animal research farm, Waialee, Oahu special fund for the animal research farm, Waialee, Oahu, operated by the college of tropical agriculture and human resourcees of the University of Hawaii, into which shall be deposited the receipts from fees realized from the sale of livestock, services, and supplies. Funds deposited into this special fund shall be expended for animal research, and services and supplies related thereto."

PART VII

SECTION 17. The purpose of this part is to reclassify the professional student exchange program special fund as a revolving fund.

SECTION 18. Section 304A-2179, Hawaii Revised Statutes, is amended to read as follows:

"[§]§304A-2179[§1] Professional student exchange program [special] revolving fund. (a) There is established a professional student exchange program [special] revolving fund to be administered and expended by the Hawaii commission.
(b) The following moneys shall be deposited into the
special revolving fund:

(1) Principal and interest payments received as repayment
of financial support from former or current
participants of the professional student exchange
program, pursuant to section 304A-3209; and

(2) Interest earned or accrued on moneys in the special revolving fund.

(c) Moneys in the special revolving fund shall be expended to:

(1) Support the professional student exchange program's
activities, including the provision of financial
support to participants at Western Interstate
Commission for Higher Education receiver institutions;

and

(2) Enforce the collection of delinquent obligations."

PART VIII

SECTION 19. The purpose of this part is to repeal the
career and technical training projects revolving fund for the
University of Hawaii at Hilo.
The legislature finds that the revolving fund is not necessary.

SECTION 20. Section 304A-2268, Hawaii Revised Statutes, is repealed.

["§304A-2268—Career and technical training projects revolving fund; University of Hawaii at Hilo. There is established the career and technical training projects revolving fund for the career and technical training projects of the community colleges and the University of Hawaii at Hilo into which shall be deposited the receipts from fees for services, supplies, and use of equipment provided by or in connection with these projects. Funds deposited in this account shall be expended for vocational and technical training projects, and supplies, equipment, and services related thereto."]

PART IX

SECTION 21. The purpose of this part is to repeal the Senator Hiram L. Fong scholarship program endowment trust fund. The legislature finds that the fund does not serve the purpose for which it was created and should be repealed.

SECTION 22. Section 304A-2353, Hawaii Revised Statutes, is repealed.
S.B. NO. 160
S.D. 2
H.D. 1
C.D. 1

["§304A-2353—The Senator Hiram L. Fong scholarship program; endowment trust. (a) There is established the Senator Hiram L. Fong scholarship program to be administered by the university with proceeds from an endowment trust that shall receive its initial funding by an appropriation out of the general revenues of the State. The program shall provide financial support to students enrolled at any campus of the university.

(b) Awards shall be granted annually to one female student and one male student who:

(1) Are graduates of a public high school in the State;

(2) Are upperclassmen at the university;

(3) Submit winning essays to the board of regents on the senator's contributions to Hawaii;

(4) Have a demonstrated commitment to local community issues, as shown by volunteer work and participation in community organizations, and

(5) Have a demonstrated interest and knowledge of the history of immigration to Hawaii.

(c) The amount to be awarded to a student shall be determined by the board of regents with due regard to the total

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amount of funds available for the program. The award that a
student receives under this program may be used to:

(1) Pay for the costs of tuition and fees for a single
academic year;

(2) Pay for the costs of textbooks and other instructional
materials for a single academic year;

(3) Pay for the costs of room and board at a dormitory or
apartment maintained by the university for a single
academic year, or

(4) Defray the difference between student need, as
determined by the Free Application for Federal Student
Aid, and the total cost of attendance for a single
academic year.

(d) The board of regents shall adopt rules to implement
the Senator Hiram L. Fong scholarship program. The rules shall
be adopted pursuant to chapter 91 but shall be exempt from the
public notice and public hearing requirements.

(e) The scholarship program shall be funded with proceeds
from an endowment trust established with initial funding by an
appropriation out of the general revenues of the State and shall
be administered by the board of regents for the purposes of
supporting the Senator Hiram L. Fong scholarship program.
]

PART X

SECTION 23. The purpose of this part is to repeal the
Senator Oren E. Long scholarship program endowment trust.
The legislature finds that the fund does not serve the
purpose for which it was created and should be repealed.

SECTION 24. Section 304A-2354, Hawaii Revised Statutes, is
repealed.

["§304A-2354—The Senator Oren E. Long scholarship
program; endowment trust. (a) There is established the Senator
Oren E. Long scholarship program to be administered by the
university with proceeds from an endowment trust that shall
receive its initial funding by an appropriation out of the
general revenues of the State. The program shall provide
financial support to students enrolled at any campus of the
university.

(b) Awards shall be granted annually to one female student
and one male student who:

(1) Are graduates of a public high school in the State;

(2) Are upperclassmen at the university; and
(3) Submit winning essays to the board of regents on the senator's contributions to Hawaii.

(c) The amount to be awarded to a student shall be determined by the board of regents with due regard to the total amount of funds available for the program. The award that a student receives under this program may be used to:

(1) Pay for the costs of tuition and fees for a single academic year;

(2) Pay for the costs of textbooks and other instructional materials for a single academic year;

(3) Pay for the costs of room and board at a dormitory or apartment maintained by the university for a single academic year; or

(4) Defray the difference between student need, as determined by the Free Application for Federal Student Aid, and the total cost of attendance for a single academic year.

(d) The board of regents shall adopt rules to implement the Senator Oren E. Long scholarship program. The rules shall be adopted pursuant to chapter 91 but shall be exempt from the public notice and public hearing requirements.
(c) The scholarship program shall be funded with proceeds from an endowment trust established with initial funding by an appropriation out of the general revenues of the State and shall be administered by the board of regents for the purposes of supporting the Senator G. E. Long scholarship program.

PART XI

SECTION 25. The purpose of this part is to repeal the Hawaii health corps revolving fund.

The legislature finds that the fund is inactive and should be repealed.

SECTION 26. Section 309H-6, Hawaii Revised Statutes, is repealed.

"[§309H-6] Hawaii health corps revolving fund. (a) There is established in the treasury of the State the Hawaii health corps revolving fund, which shall be administered by the University of Hawaii John A. Burns school of medicine and the University of Hawaii at Manoa school of nursing and dental hygiene, and into which shall be deposited:

(1) Any funds appropriated by the legislature for the Hawaii rural health care provider loan repayment program;
(2) Gifts, donations, and grants from public agencies and private persons;

(3) Reimbursements of loan repayments under the Hawaii rural health care provider loan repayment program;

(4) Proceeds of the operations of the Hawaii health corps program; and

(5) Interest earned or accrued on moneys deposited into the fund.

(b) The University of Hawaii John A. Burns school of medicine and the University of Hawaii at Manoa school of nursing and dental hygiene may expend moneys from the fund for the purposes of this chapter, including the operational expenses of the Hawaii health corps program.

PART XII

SECTION 27. The following funds are abolished:

(1) The hurricane Iniki insurance proceeds special fund administratively established in 1993 and administered by the University of Hawaii;

(2) The agency fund trust account administratively established prior to July 1985 and administered by the University of Hawaii; and
(3) The University of Hawaii Okinawa program trust fund administratively established in 1968 and administered by the University of Hawaii, and any unencumbered balances remaining shall lapse to the credit of the general fund.

PART XIII

SECTION 28. On July 1, 2015, all unencumbered balances remaining in the accounts and funds repealed by this Act shall lapse to the credit of the general fund.

PART XIV

SECTION 29. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 30. This Act shall take effect on July 1, 2015.

APPROVED this 12th day of JUN, 2015

Governor of the State of Hawaii
April 16, 2015

The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813  

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on April 16, 2015, the following bill was signed into law:

HB78 RELATING TO NON-GENERAL FUNDS  
ACT 010 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO NON-GENERAL FUNDS.

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

SECTION 1. The purpose of this Act is to reclassify the accrued vacation and sick leave fund to a trust fund as recommended by the auditor in report no. 14-04, entitled review of special funds, revolving funds, trust funds, and trust accounts of the departments of defense and land and natural resources.

The legislature finds that while the administratively created fund meets the purpose for which it was established, it does not meet the criteria for a revolving fund and that reclassifying it as a trust fund would be more appropriate.

SECTION 2. The accrued vacation and sick leave fund administered by the department of land and natural resources is reclassified as a trust fund.

All balances in the fund shall remain as if no reclassification had occurred.
SECTION 3. This Act shall take effect on July 1, 2015.

APPROVED this 16 day of APR 2015

GOVERNOR OF THE STATE OF HAWAII
July 14, 2015

The Honorable Ronald D. Kouchi, President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki, Speaker and Members of the House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 14, 2015, the following bill was signed into law:

HB134 HD1 SD2 CD1 RELATING TO TAXATION
ACT 240 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The purpose of this Act is to address the county surcharge on state general excise and use taxes.

More specifically, this Act:

(1) Authorizes the extension of the surcharge by any county that has adopted an ordinance to establish the surcharge prior to the effective date of this Act;

(2) Authorizes other counties to adopt ordinances establishing the surcharge;

(3) For counties with a population greater than five hundred thousand:

(A) Limits the use of surcharge revenues to "capital costs"; and

(B) Expands the definition of "capital costs"; and

(4) Amends the definition of "public lands" to include the air rights over any portion of state land upon which a county mass transit project is developed after July 11, 2005.
 SECTION 2. This Act shall not affect the validity or effect of any surcharge on state tax adopted pursuant to Act 247, Session Laws of Hawaii 2005, prior to the effective date of this Act.

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

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

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

(2) The ordinance shall be adopted prior to December 31, 2005; and

(3) No county surcharge on state tax that may be authorized under this subsection shall be levied prior to January 1, 2007, or after December 31, 2022, unless extended pursuant to subsection (b).

Notice of the public hearing required under paragraph (1) shall be published in a newspaper of general circulation within the
county at least twice within a period of thirty days immediately preceding the date of the hearing.

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

(b) Each county that has established a surcharge on state tax prior to the effective date of this Act under authority of subsection (a) may extend the surcharge from January 1, 2023, until December 31, 2027, at the same rates. A county electing to extend this surcharge shall do so by ordinance; provided that:

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

(2) The ordinance shall be adopted prior to July 1, 2016, but no earlier than July 1, 2015.
A county electing to exercise the authority granted under this subsection shall notify the director of taxation within ten days after the county has adopted an ordinance extending the surcharge on state tax. Beginning on January 1, 2023, the director of taxation shall levy, assess, collect, and otherwise administer the extended surcharge on state tax.

(c) Each county that has not established a surcharge on state tax prior to the effective date of this Act may establish the surcharge at the rates enumerated in sections 237-8.6 and 238-2.6. A county electing to establish this surcharge shall do so by ordinance; provided that:

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

(2) The ordinance shall be adopted prior to July 1, 2016, but no earlier than July 1, 2015; and

(3) No county surcharge on state tax that may be authorized under this subsection shall be levied prior to January 1, 2018, or after December 31, 2027.

A county electing to exercise the authority granted under this subsection shall notify the director of taxation within ten days after the county has adopted a surcharge on state tax
ordinance. Beginning on January 1, 2018, the director of taxation shall levy, assess, collect, and otherwise administer the county surcharge on state tax.

(d) Notice of the public hearing required under subsection (b) or (c) before adoption of an ordinance establishing or extending the surcharge on state tax shall be published in a newspaper of general circulation within the county at least twice within a period of thirty days immediately preceding the date of the hearing.

(e) Each county with a population greater than five hundred thousand that adopts or extends a county surcharge on state tax ordinance pursuant to subsection (a) or (b) shall use the surcharges received from the State for:

1. Capital costs of a locally preferred alternative for a mass transit project; and
2. Expenses in complying with the Americans with Disabilities Act of 1990 with respect to paragraph (1).

The county surcharge on state tax shall not be used to build or repair public roads or highways, bicycle paths, or support
public transportation systems already in existence prior to July 12, 2005.

[(e)-(f)] Each county with a population equal to or less than five hundred thousand that adopts a county surcharge on state tax ordinance pursuant to [subsection (e)] this section shall use the surcharges received from the State for:

1. Operating or capital costs of public transportation within each county for public transportation systems, including public roadways or highways, public buses, trains, ferries, pedestrian paths or sidewalks, or bicycle paths; and
2. Expenses in complying with the Americans with Disabilities Act of 1990 with respect to paragraph (1).

[(e)-(g)] As used in this section, "capital costs" means nonrecurring costs required to construct a transit facility or system, including debt service, costs of land acquisition and development, acquiring of rights-of-way, planning, design, and construction, and including equipping and furnishing the facility or system. For a county with a population greater than five hundred thousand, capital costs also include non-recurring
personal services and other overhead costs that are not intended to continue after completion of construction of the minimum operable segment of the locally preferred alternative for a mass transit project."

SECTION 4. Section 171-2, Hawaii Revised Statutes, is amended to read as follows:

"§171-2 Definition of public lands. "Public lands" means all lands or interest therein in the State classed as government or crown lands previous to August 15, 1895, or acquired or reserved by the government upon or subsequent to that date by purchase, exchange, escheat, or the exercise of the right of eminent domain, or in any other manner; including lands accreted after May 20, 2003, and not otherwise awarded, submerged lands, and lands beneath tidal waters that are suitable for reclamation, together with reclaimed lands that have been given the status of public lands under this chapter, except:

(1) Lands designated in section 203 of the Hawaiian Homes Commission Act, 1920, as amended;

(2) Lands set aside pursuant to law for the use of the United States;

(3) Lands being used for roads and streets;
(4) Lands to which the United States relinquished the absolute fee and ownership under section 91 of the Hawaiian Organic Act prior to the admission of Hawaii as a state of the United States unless subsequently placed under the control of the board of land and natural resources and given the status of public lands in accordance with the state constitution, the Hawaiian Homes Commission Act, 1920, as amended, or other laws;

(5) Lands to which the University of Hawaii holds title;

(6) Lands to which the Hawaii housing finance and development corporation in its corporate capacity holds title;

(7) Lands to which the Hawaii community development authority in its corporate capacity holds title;

(8) Lands to which the department of agriculture holds title by way of foreclosure, voluntary surrender, or otherwise, to recover moneys loaned or to recover debts otherwise owed the department under chapter 167;

(9) Lands that are set aside by the governor to the Aloha Tower development corporation; lands leased to the
Aloha Tower development corporation by any department or agency of the State; or lands to which the Aloha Tower development corporation holds title in its corporate capacity;

(10) Lands that are set aside by the governor to the agribusiness development corporation; lands leased to the agribusiness development corporation by any department or agency of the State; or lands to which the agribusiness development corporation in its corporate capacity holds title; and

(11) Lands to which the high technology development corporation in its corporate capacity holds title; provided that, except as otherwise limited under federal law and except for state land used as an airport as defined in section 262-1, public lands shall include the air rights over any portion of state land upon which a county mass transit project is developed after July 11, 2005."

SECTION 5. Section 237-8.6, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Each county surcharge on state tax that may be adopted or extended pursuant to section [46-16.8(a)] 46-16.8
shall be levied beginning in the taxable year after the adoption
of the relevant county ordinance; provided that no surcharge on
state tax may be levied [prefix]:

(1) Prior to:

(A) January 1, 2007[+], if the county surcharge on
state tax was established by an ordinance adopted
prior to December 31, 2005; or

(B) January 1, 2018, if the county surcharge on state
tax was established by the adoption of an
ordinance after June 30, 2015, but prior to July
1, 2016; and

(2) After December 31, 2027."

SECTION 6. Section 238-2.6, Hawaii Revised Statutes, is
amended by amending subsection (b) to read as follows:

"(b) Each county surcharge on state tax that may be
adopted or extended shall be levied beginning in the taxable
year after the adoption of the relevant county ordinance;
provided that no surcharge on state tax may be levied [prefix]:

(1) Prior to:
(A) January 1, 2007[-], if the county surcharge on
state tax was established by an ordinance adopted
prior to December 31, 2005; or

(B) January 1, 2018, if the county surcharge on state
tax was established by the adoption of an
ordinance after June 30, 2015, but prior to July
1, 2016; and

(2) After December 31, 2027."
pursuant to this Act, unless otherwise authorized by
the legislature through a separate legislative act;

and

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

(A) The ordinance shall be repealed on December 31,
2022; provided that the repeal of the ordinance
shall not affect the validity or effect of an
ordinance to extend a surcharge on state tax
adopted pursuant to Act , Session Laws of
Hawaii 2015;

(B) This Act shall be repealed on December 31,
[2022?] 2027; and

(C) Section 437D-8.4, Hawaii Revised Statutes, shall
be reenacted in the form in which it read on the
day prior to the effective date of this Act[•];
provided that the amendments made to section
437D-8.4, Hawaii Revised Statutes, by Act 226,
Session Laws of Hawaii 2008, as amended by Act
11, Session Laws of Hawaii 2009, and Act 110,
1 Session Laws of Hawaii 2014, shall not be 
2 repealed."
3 SECTION 8. Statutory material to be repealed is bracketed 
4 and stricken. New statutory material is underscored.
5 SECTION 9. This Act shall take effect on July 1, 2015.

APPROVED this 14 day of JUL, 2015

GOVERNOR OF THE STATE OF HAWAII
June 26, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai’i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai’i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 26, 2015, the following bill was signed into law:

HB707 SD1 CD1 RELATING TO NON-GENERAL FUNDS
ACT 144 (15)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO NON-GENERAL FUNDS.

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

PART I

SECTION 1. The purpose of this Act is to repeal and abolish various non-general funds pursuant to the recommendations made by the auditor in auditor's report nos. 14-04 and 14-13.

PART II

SECTION 2. The purpose of this part is to repeal the cancer detection development revolving fund.

The legislature finds that the fund does not serve the purpose for which it was created and does not meet the criteria for a revolving fund.

SECTION 3. Section 211F-5.5, Hawaii Revised Statutes, is repealed.

"[211F-5.5]—Cancer-detection-development-revolving-fund; establishment. (a) There is established the cancer detection development revolving fund to be administered by the Hawaii strategic development corporation to assist enterprises that
develop healthcare and biomedical technology to detect cancer, including cervical cancer, in its early stages.

(b) The fund shall not be considered part of the general fund and shall consist of moneys:

(1) Appropriated by the legislature;

(2) Received as repayments of loans;

(3) Earned on investments;

(4) Received pursuant to a venture agreement;

(5) Received as royalties; and

(6) Received as premiums, or fees charged by the corporation or otherwise received by the corporation.

PART III

SECTION 4. The following funds and accounts are abolished:

(1) The Hawaii criminal justice commission trust account established in 1985 and administered by the department of the attorney general;

(2) The preservation of endangered plants trust account administratively established in 1989 and administered by the department of land and natural resources;
(3) The State DOD physical amelioration donation trust fund administratively established in 2010 and administered by the department of defense; and

(4) The UH wellness center - operating account administratively established in 2008 and administered by the University of Hawaii, and any remaining unencumbered balances shall be transferred to the general fund.

PART IV

SECTION 5. On July 1, 2015, all unencumbered balances remaining in the cancer detection development revolving fund repealed by section 3 of this Act shall lapse to the credit of the general fund.

PART V

SECTION 6. Statutory material to be repealed is bracketed and stricken.

SECTION 7. This Act shall take effect on July 1, 2015.

APPROVED this 26 day of JUN, 2015

[Signature]

GOVERNOR OF THE STATE OF HAWAII
May 6, 2015

The Honorable Ronald D. Kouchi,  The Honorable Joseph M. Souki,  
President                      Speaker and Members of the  
and Members of the Senate     House of Representatives  
Twenty-Eighth State Legislature  Twenty-Eighth State Legislature  
State Capitol, Room 210        State Capitol, Room 431  
Honolulu, Hawai‘i 96813        Honolulu, Hawai‘i 96813  

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 6, 2015, the following bill was signed into law:

HB1325 HD1 SD1 RELATING TO STORMWATER MANAGEMENT  
ACT 042 (15)  

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO STORMWATER MANAGEMENT.

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

SECTION 1. The legislature finds that climate change poses a significant threat to the economy and environment of the Hawaiian islands and has contributed to an eighteen per cent drop in precipitation over the past thirty years. This increasing drying trend, coupled with growth in the State's population, will likely raise the demand for water and compromise Hawaii's fresh water supplies over the coming decades. If Hawaii does not begin planning ahead, ensuring the islands' supply of fresh water in the future may cost the public a great deal as the cost of desalination and other alternatives rise.

The legislature further finds that changes in land use from forested areas to urban development and other human uses increase the amount of rain ending up as storm runoff instead of replenishing the State's aquifers. Encouraging the adoption of best practices and infrastructure investment by the counties to capture and retain rainfall in Hawaii for potable water before it becomes stormwater runoff that results in pollution to
streams, wetlands, and near-shore ocean areas will save the public significantly in the long run.

The purpose of this Act is to encourage the protection of water resources by authorizing counties to charge user fees to create and maintain stormwater management systems or infrastructure.

SECTION 2. Section 46-1.5, Hawaii Revised Statutes, is amended to read as follows:

"§46-1.5 General powers and limitation of the counties.

Subject to general law, each county shall have the following powers and shall be subject to the following liabilities and limitations:

(1) Each county shall have the power to frame and adopt a charter for its own self-government that shall establish the county executive, administrative, and legislative structure and organization, including but not limited to the method of appointment or election of officials, their duties, responsibilities, and compensation, and the terms of their office;

(2) Each county shall have the power to provide for and regulate the marking and lighting of all buildings and other structures that may be obstructions or hazards.
to aerial navigation, so far as may be necessary or
proper for the protection and safeguarding of life,
health, and property;

(3) Each county shall have the power to enforce all claims
on behalf of the county and approve all lawful claims
against the county, but shall be prohibited from
entering into, granting, or making in any manner any
contract, authorization, allowance payment, or
liability contrary to the provisions of any county
charter or general law;

(4) Each county shall have the power to make contracts and
to do all things necessary and proper to carry into
execution all powers vested in the county or any
county officer;

(5) Each county shall have the power to:

(A) Maintain channels, whether natural or artificial,
including their exits to the ocean, in suitable
condition to carry off storm waters;

(B) Remove from the channels, and from the shores and
beaches, any debris that is likely to create an
unsanitary condition or become a public nuisance;
provided that, to the extent any of the foregoing
work is a private responsibility, the responsibility may be enforced by the county in lieu of the work being done at public expense;

(C) Construct, acquire by gift, purchase, or by the exercise of eminent domain, reconstruct, improve, better, extend, and maintain projects or undertakings for the control of and protection against floods and flood waters, including the power to drain and rehabilitate lands already flooded; [and]

(D) Enact zoning ordinances providing that lands deemed subject to seasonable, periodic, or occasional flooding shall not be used for residence or other purposes in a manner as to endanger the health or safety of the occupants thereof, as required by the Federal Flood Insurance Act of 1956 (chapter 1025, Public Law 1016); and

(E) Establish and charge user fees to create and maintain any stormwater management system or infrastructure;
(6) Each county shall have the power to exercise the power of condemnation by eminent domain when it is in the public interest to do so;

(7) Each county shall have the power to exercise regulatory powers over business activity as are assigned to them by chapter 445 or other general law;

(8) Each county shall have the power to fix the fees and charges for all official services not otherwise provided for;

(9) Each county shall have the power to provide by ordinance assessments for the improvement or maintenance of districts within the county;

(10) Except as otherwise provided, no county shall have the power to give or loan credit to, or in aid of, any person or corporation, directly or indirectly, except for a public purpose;

(11) Where not within the jurisdiction of the public utilities commission, each county shall have the power to regulate by ordinance the operation of motor vehicle common carriers transporting passengers within the county and adopt and amend rules the county deems necessary for the public convenience and necessity;
Each county shall have the power to enact and enforce ordinances necessary to prevent or summarily remove public nuisances and to compel the clearing or removal of any public nuisance, refuse, and uncultivated undergrowth from streets, sidewalks, public places, and unoccupied lots. In connection with these powers, each county may impose and enforce liens upon the property for the cost to the county of removing and completing the necessary work where the property owners fail, after reasonable notice, to comply with the ordinances. The authority provided by this paragraph shall not be self-executing, but shall become fully effective within a county only upon the enactment or adoption by the county of appropriate and particular laws, ordinances, or rules defining "public nuisances" with respect to each county's respective circumstances. The counties shall provide the property owner with the opportunity to contest the summary action and to recover the owner's property;

(13) Each county shall have the power to enact ordinances deemed necessary to protect health, life, and property, and to preserve the order and security of
the county and its inhabitants on any subject or
matter not inconsistent with, or tending to defeat,
the intent of any state statute where the statute does
not disclose an express or implied intent that the
statute shall be exclusive or uniform throughout the
State;

(14) Each county shall have the power to:

(A) Make and enforce within the limits of the county
    all necessary ordinances covering all:
    (i) Local police matters;
    (ii) Matters of sanitation;
    (iii) Matters of inspection of buildings;
    (iv) Matters of condemnation of unsafe
         structures, plumbing, sewers, dairies, milk,
         fish, and morgues; and
    (v) Matters of the collection and disposition of
        rubbish and garbage;

(B) Provide exemptions for homeless facilities and
    any other program for the homeless authorized by
    part XVII of chapter 346, for all matters under
    this paragraph;
1. (C) Appoint county physicians and sanitary and other
inspectors as necessary to carry into effect
ordinances made under this paragraph, who shall
have the same power as given by law to agents of
the department of health, subject only to
limitations placed on them by the terms and
conditions of their appointments; and

2. (D) Fix a penalty for the violation of any ordinance,
which penalty may be a misdemeanor, petty
misdemeanor, or violation as defined by general
law;

3. (15) Each county shall have the power to provide public
pounds; to regulate the impounding of stray animals
and fowl, and their disposition; and to provide for
the appointment, powers, duties, and fees of animal
control officers;

4. (16) Each county shall have the power to purchase and
otherwise acquire, lease, and hold real and personal
property within the defined boundaries of the county
and to dispose of the real and personal property as
the interests of the inhabitants of the county may
require, except that:
(A) Any property held for school purposes may not be disposed of without the consent of the superintendent of education;

(B) No property bordering the ocean shall be sold or otherwise disposed of; and

(C) All proceeds from the sale of park lands shall be expended only for the acquisition of property for park or recreational purposes;

(17) Each county shall have the power to provide by charter for the prosecution of all offenses and to prosecute for offenses against the laws of the State under the authority of the attorney general of the State;

(18) Each county shall have the power to make appropriations in amounts deemed appropriate from any moneys in the treasury, for the purpose of:

(A) Community promotion and public celebrations;

(B) The entertainment of distinguished persons as may from time to time visit the county;

(C) The entertainment of other distinguished persons, as well as, public officials when deemed to be in the best interest of the community; and
(D) The rendering of civic tribute to individuals who, by virtue of their accomplishments and community service, merit civic commendations, recognition, or remembrance;

(19) Each county shall have the power to:

(A) Construct, purchase, take on lease, lease, sublease, or in any other manner acquire, manage, maintain, or dispose of buildings for county purposes, sewers, sewer systems, pumping stations, waterworks, including reservoirs, wells, pipelines, and other conduits for distributing water to the public, lighting plants, and apparatus and appliances for lighting streets and public buildings, and manage, regulate, and control the same;

(B) Regulate and control the location and quality of all appliances necessary to the furnishing of water, heat, light, power, telephone, and telecommunications service to the county;

(C) Acquire, regulate, and control any and all appliances for the sprinkling and cleaning of the
streets and the public ways, and for flushing the
sewers; and

(D) Open, close, construct, or maintain county
highways or charge toll on county highways;
provided that all revenues received from a toll
charge shall be used for the construction or
maintenance of county highways;

(20) Each county shall have the power to regulate the
renting, subletting, and rental conditions of property
for places of abode by ordinance;

(21) Unless otherwise provided by law, each county shall
have the power to establish by ordinance the order of
succession of county officials in the event of a
military or civil disaster;

(22) Each county shall have the power to sue and be sued in
its corporate name;

(23) Each county shall have the power to establish and
maintain waterworks and sewer works; to collect rates
for water supplied to consumers and for the use of
sewers; to install water meters whenever deemed
expedient; provided that owners of premises having
vested water rights under existing laws appurtenant to
the premises shall not be charged for the installation or use of the water meters on the premises; to take over from the State existing waterworks systems, including water rights, pipelines, and other appurtenances belonging thereto, and sewer systems, and to enlarge, develop, and improve the same;

(24) (A) Each county may impose civil fines, in addition to criminal penalties, for any violation of county ordinances or rules after reasonable notice and requests to correct or cease the violation have been made upon the violator. Any administratively imposed civil fine shall not be collected until after an opportunity for a hearing under chapter 91. Any appeal shall be filed within thirty days from the date of the final written decision. These proceedings shall not be a prerequisite for any civil fine or injunctive relief ordered by the circuit court;

(B) Each county by ordinance may provide for the addition of any unpaid civil fines, ordered by any court of competent jurisdiction, to any taxes, fees, or charges, with the exception of
fees or charges for water for residential use and sewer charges, collected by the county. Each county by ordinance may also provide for the addition of any unpaid administratively imposed civil fines, which remain due after all judicial review rights under section 91-14 are exhausted, to any taxes, fees, or charges, with the exception of water for residential use and sewer charges, collected by the county. The ordinance shall specify the administrative procedures for the addition of the unpaid civil fines to the eligible taxes, fees, or charges and may require hearings or other proceedings. After addition of the unpaid civil fines to the taxes, fees, or charges, the unpaid civil fines shall not become a part of any taxes, fees, or charges. The county by ordinance may condition the issuance or renewal of a license, approval, or permit for which a fee or charge is assessed, except for water for residential use and sewer charges, on payment of the unpaid civil fines. Upon recordation of a notice of unpaid civil fines in
the bureau of conveyances, the amount of the
civil fines, including any increase in the amount
of the fine which the county may assess, shall
constitute a lien upon all real property or
rights to real property belonging to any person
liable for the unpaid civil fines. The lien in
favor of the county shall be subordinate to any
lien in favor of any person recorded or
registered prior to the recordation of the notice
of unpaid civil fines and senior to any lien
recorded or registered after the recordation of
the notice. The lien shall continue until the
unpaid civil fines are paid in full or until a
certificate of release or partial release of the
lien, prepared by the county at the owner's
expense, is recorded. The notice of unpaid civil
fines shall state the amount of the fine as of
the date of the notice and maximum permissible
daily increase of the fine. The county shall not
be required to include a social security number,
state general excise taxpayer identification
number, or federal employer identification number
on the notice. Recordation of the notice in the bureau of conveyances shall be deemed, at such time, for all purposes and without any further action, to procure a lien on land registered in land court under chapter 501. After the unpaid civil fines are added to the taxes, fees, or charges as specified by county ordinance, the unpaid civil fines shall be deemed immediately due, owing, and delinquent and may be collected in any lawful manner. The procedure for collection of unpaid civil fines authorized in this paragraph shall be in addition to any other procedures for collection available to the State and county by law or rules of the courts;

(C) Each county may impose civil fines upon any person who places graffiti on any real or personal property owned, managed, or maintained by the county. The fine may be up to $1,000 or may be equal to the actual cost of having the damaged property repaired or replaced. The parent or guardian having custody of a minor who places graffiti on any real or personal property
owned, managed, or maintained by the county shall
be jointly and severally liable with the minor
for any civil fines imposed hereunder. Any such
fine may be administratively imposed after an
opportunity for a hearing under chapter 91, but
such a proceeding shall not be a prerequisite for
any civil fine ordered by any court. As used in
this subparagraph, "graffiti" means any
unauthorized drawing, inscription, figure, or
mark of any type intentionally created by paint,
ink, chalk, dye, or similar substances;

(D) At the completion of an appeal in which the
county's enforcement action is affirmed and upon
correction of the violation if requested by the
violator, the case shall be reviewed by the
county agency that imposed the civil fines to
determine the appropriateness of the amount of
the civil fines that accrued while the appeal
proceedings were pending. In its review of the
amount of the accrued fines, the county agency
may consider:
(i) The nature and egregiousness of the violation;

(ii) The duration of the violation;

(iii) The number of recurring and other similar violations;

(iv) Any effort taken by the violator to correct the violation;

(v) The degree of involvement in causing or continuing the violation;

(vi) Reasons for any delay in the completion of the appeal; and

(vii) Other extenuating circumstances.

The civil fine that is imposed by administrative order after this review is completed and the violation is corrected shall be subject to judicial review, notwithstanding any provisions for administrative review in county charters;

(E) After completion of a review of the amount of accrued civil fine by the county agency that imposed the fine, the amount of the civil fine determined appropriate, including both the initial civil fine and any accrued daily civil
fine, shall immediately become due and
collectible following reasonable notice to the
violator. If no review of the accrued civil fine
is requested, the amount of the civil fine, not
to exceed the total accrual of civil fine prior
to correcting the violation, shall immediately
become due and collectible following reasonable
notice to the violator, at the completion of all
appeal proceedings;

(F) If no county agency exists to conduct appeal
proceedings for a particular civil fine action
taken by the county, then one shall be
established by ordinance before the county shall
impose the civil fine;

(25) Any law to the contrary notwithstanding, any county
mayor, by executive order, may exempt donors, provider
agencies, homeless facilities, and any other program
for the homeless under part XVII of chapter 346 from
real property taxes, water and sewer development fees,
rates collected for water supplied to consumers and
for use of sewers, and any other county taxes,
charges, or fees; provided that any county may enact
ordinances to regulate and grant the exemptions

granted by this paragraph;

(26) Any county may establish a captive insurance company

pursuant to article 19, chapter 431; and

(27) Each county shall have the power to enact and enforce

ordinances regulating towing operations."

SECTION 3. Statutory material to be repealed is bracketed

and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

APPROVED this 6 day of MAY, 2015

GOVERNOR OF THE STATE OF HAWAII