
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 SECTION 1. Section 232-14.5, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) The denial in whole or in part by the department of
4 taxation of a tax refund claim may be appealed by the filing of
5 a written notice of appeal to a board of review or the tax
6 appeal court within thirty days after notice of the denial of
7 the claim. After such notice is filed, the taxpayer shall be
8 notified of the scheduled date of hearing on such appeal within
9 six months of the filing."

10 SECTION 2. Section 235-110.9, Hawaii Revised Statutes, is
11 amended by amending subsection (f) to read as follows:

12 "(f) The department shall:

- 13 (1) Maintain records of the names and addresses of the
14 taxpayers claiming the credits under this section and
15 the total amount of the qualified investment costs
16 upon which the tax credit is based;
- 17 (2) Verify the nature and amount of the qualifying
18 investments;



1 (3) Total all qualifying and cumulative investments that
2 the department certifies; and

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

5 Upon each determination made under this subsection, the
6 department shall issue a certificate to the taxpayer verifying
7 information submitted to the department, including qualifying
8 investment amounts, the credit amount certified for each taxable
9 year, and the cumulative amount of the tax credit during the
10 credit period. The taxpayer shall file the certificate with the
11 taxpayer's tax return with the department.

12 The director of taxation may assess and collect a fee to
13 offset the costs of certifying tax credits claims under this
14 section. All fees collected under this section shall be
15 deposited into the tax administration special fund established
16 under section 235-20.5.

17 The department shall notify any taxpayer filing a claim for
18 a tax credit under this section of whether such claim shall be
19 audited or not within six months of the filing of the claim. If
20 the department determines to audit such claim, the audit shall
21 be completed before the end of the twelfth month following the
22 notification of the audit to the taxpayer. If after an



1 assessment, the taxpayer chooses to appeal the assessment
2 pursuant to chapter 232 to the board of review, then the
3 taxpayer shall receive a hearing date before the board within
4 six months of the filing of the appeal with the board."

5 SECTION 3. Section 235-110.91, Hawaii Revised Statutes, is
6 amended by amending subsection (e) to read as follows:

7 "(e) The department shall:

- 8 (1) Maintain records of the names and addresses of the
9 taxpayers claiming the credits under this section and
10 the total amount of the qualified research and
11 development activity costs upon which the tax credit
12 is based;
- 13 (2) Verify the nature and amount of the qualifying costs
14 or expenditures;
- 15 (3) Total all qualifying and cumulative costs or
16 expenditures that the department certifies; and
- 17 (4) Certify the amount of the tax credit for each taxable
18 year and cumulative amount of the tax credit.

19 Upon each determination made under this subsection, the
20 department shall issue a certificate to the taxpayer verifying
21 information submitted to the department, including the
22 qualifying costs or expenditure amounts, the credit amount



1 certified for each taxable year, and the cumulative amount of
2 the tax credit during the credit period. The taxpayer shall
3 file the certificate with the taxpayer's tax return with the
4 department.

5 The director of taxation may assess and collect a fee to
6 offset the costs of certifying tax credit claims under this
7 section. All fees collected under this section shall be
8 deposited into the tax administration special fund established
9 under section 235-20.5.

10 The department shall notify any taxpayer filing a claim for
11 a tax credit under this section of whether such claim shall be
12 audited or not within six months of the filing of the claim. If
13 the department determines to audit such claim, the audit shall
14 be completed before the end of the twelfth month following the
15 notification of the audit to the taxpayer. If after an
16 assessment, the taxpayer chooses to appeal the assessment
17 pursuant to chapter 232 to the board of review, then the
18 taxpayer shall receive a hearing date before the board within
19 six months of the filing of the appeal with the board."

20 SECTION 4. This Act shall apply to appeals on tax credits
21 claimed against taxes or creditable expenses incurred in taxable
22 years beginning after December 31, 2005.



- 1 SECTION 5. New statutory material is underscored.
- 2 SECTION 6. This Act shall take effect upon its approval.



Report Title:

Tax Audit Procedures

Description:

Provides time limits for the Department of Taxation to process audits and appeals to audits on High Technology Business Investment Tax Credit and Tax Credit for Research Activities tax credit claims. (HB2121 HD1)

