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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to provide revenue  
2 generating initiatives that will be benefits-funded, meaning the  
3 vendor will only be paid when measurable increases in revenues  
4 resulting from the initiatives are collected by the State. The  
5 revenues will be used by the department of taxation to enhance  
6 its computer system, called the integrated tax information  
7 management system, and to streamline related operational  
8 procedures. This Act shall be known as the "Integrated Tax  
9 Information Management System Post-Implementation Revenue-  
10 Generating Initiatives Act of 2006."

11 SECTION 2. Chapter 231, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 "§231- Integrated tax information management systems  
15 special fund. (a) There is established in the state treasury  
16 the integrated tax information management systems special fund,  
17 into which shall be deposited ninety per cent of the revenue  
18 received by the department from the integrated tax information



1 management systems post-implementation revenue-generating  
2 initiatives.

3 (b) Moneys in the fund shall be expended by the department  
4 to pay for the integrated tax information management systems  
5 performance-based contracts and administrative and operating  
6 expenses related to the integrated tax information management  
7 systems until the vendor has been fully paid. Unless otherwise  
8 provided by law, all other receipts shall immediately be  
9 deposited to the credit of the general fund of the State.

10 (c) The department of taxation may enter into performance-  
11 based contracts to enhance or acquire automated tax systems, or  
12 both, including computer hardware and software, for the  
13 administration of taxes imposed under title 14.

14 For the purposes of this chapter:

15 "Performance-based contract" means a contract under which  
16 compensation to the vendor shall be computed according to  
17 performance standards established by the department. Any  
18 performance-based contract entered into by the department for  
19 such purpose shall provide for the payment of fees:

20 (1) Based on a contractually specified amount of the  
21 increase; or



1       (2) On a fixed-fee contract basis to be paid from the  
2           increase  
3       in the amount of taxes, interests, and penalties collected and  
4       attributable to the implementation of automated tax systems.  
5       The State shall receive title to the enhanced or automated tax  
6       systems upon full payment to the vendor.

7       (d) Notwithstanding any other law to the contrary, the  
8       department shall award the performance-based contract pursuant  
9       to the requirements of chapter 103D.

10       (e) The department shall report to the legislature no  
11       later than twenty days prior to the convening of every regular  
12       session with respect to the status of the performance-based  
13       contract and shall provide an accounting of all moneys  
14       appropriated. The report shall include:

- 15       (1) Detailed information on the costs and benefits of  
16       implementing the automated tax systems;  
17       (2) The amount of increased tax, interest, and penalties  
18       collected that is attributable to the automated tax  
19       system; and  
20       (3) The amount paid to the vendor or vendors contracted  
21       under subsection (c).



1        The report shall also include information from the  
2 preceding fiscal year and shall continue until two complete  
3 fiscal years have elapsed following full implementation of the  
4 automated tax systems."

5        SECTION 3. Section 36-27, Hawaii Revised Statutes, is  
6 amended to read as follows:

7        "**§36-27 Transfers from special funds for central service**  
8 **expenses.** Except as provided in this section, and  
9 notwithstanding any other law to the contrary, from time to  
10 time, the director of finance, for the purpose of defraying the  
11 prorated estimate of central service expenses of government in  
12 relation to all special funds, except the:

- 13        (1) Special out-of-school time instructional program fund  
14                under section 302A-1310;
- 15        (2) School cafeteria special funds of the department of  
16                education;
- 17        (3) Special funds of the University of Hawaii;
- 18        (4) State educational facilities improvement special fund;
- 19        (5) Convention center enterprise special fund under  
20                section 201B-8;
- 21        (6) Special funds established by section 206E-6;
- 22        (7) Housing loan program revenue bond special fund;



- 1 (8) Housing project bond special fund;
- 2 (9) Aloha Tower fund created by section 206J-17;
- 3 (10) Funds of the employees' retirement system created by
- 4 section 88-109;
- 5 (11) Unemployment compensation fund established under
- 6 section 383-121;
- 7 (12) Hawaii hurricane relief fund established under chapter
- 8 431P;
- 9 (13) Hawaii health systems corporation special funds;
- 10 (14) Tourism special fund established under section 201B-
- 11 11;
- 12 (15) Universal service fund established under chapter 269;
- 13 (16) Integrated tax information management systems special
- 14 fund under section [~~231-3.2;~~] 231- ;
- 15 (17) Emergency and budget reserve fund under section 328L-
- 16 3;
- 17 (18) Public schools special fees and charges fund under
- 18 section 302A-1130(f);
- 19 (19) Sport fish special fund under section 187A-9.5;
- 20 (20) Neurotrauma special fund under section 321H-4;
- 21 (21) Deposit beverage container deposit special fund under
- 22 section 342G-104;



- 1 (22) Glass advance disposal fee special fund established  
2 by section 342G-82;
- 3 (23) Center for nursing special fund under section 304D-5;
- 4 (24) Passenger facility charge special fund established by  
5 section 261-5.5;
- 6 (25) Solicitation of funds for charitable purposes special  
7 fund established by section 467B-15;
- 8 (26) Land conservation fund established by section 173A-5;  
9 [+]and[+]
- 10 [+](27)[+] Court interpreting services revolving fund  
11 established by [+]section 607-1.5[+],  
12 shall deduct five per cent of all receipts of all other special  
13 funds, which deduction shall be transferred to the general fund  
14 of the State and become general realizations of the State. All  
15 officers of the State and other persons having power to allocate  
16 or disburse any special funds shall cooperate with the director  
17 in effecting these transfers. To determine the proper revenue  
18 base upon which the central service assessment is to be  
19 calculated, the director shall adopt rules pursuant to chapter  
20 91 for the purpose of suspending or limiting the application of  
21 the central service assessment of any fund. No later than  
22 twenty days prior to the convening of each regular session of



1 the legislature, the director shall report all central service  
2 assessments made during the preceding fiscal year."

3 SECTION 4. Section 36-30, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) Each special fund, except the:

- 6 (1) Transportation use special fund established by section  
7 261D-1;
- 8 (2) Special out-of-school time instructional program fund  
9 under section 302A-1310;
- 10 (3) School cafeteria special funds of the department of  
11 education;
- 12 (4) Special funds of the University of Hawaii;
- 13 (5) State educational facilities improvement special fund;
- 14 (6) Special funds established by section 206E-6;
- 15 (7) Aloha Tower fund created by section 206J-17;
- 16 (8) Funds of the employee's retirement system created by  
17 section 88-109;
- 18 (9) Unemployment compensation fund established under  
19 section 383-121;
- 20 (10) Hawaii hurricane relief fund established under chapter  
21 431P;



- 1 (11) Convention center enterprise special fund established  
2 under section 201B-8;
- 3 (12) Hawaii health systems corporation special funds;
- 4 (13) Tourism special fund established under section 201B-  
5 11;
- 6 (14) Universal service fund established under chapter 269;
- 7 (15) Integrated tax information management systems special  
8 fund under section [~~231-3.27~~] 231-  ;
- 9 (16) Emergency and budget reserve fund under section 328L-  
10 3;
- 11 (17) Public schools special fees and charges fund under  
12 section 302A-1130(f);
- 13 (18) Sport fish special fund under section 187A-9.5;
- 14 (19) Neurotrauma special fund under section 321H-4;
- 15 (20) Center for nursing special fund under section 304D-5;
- 16 (21) Passenger facility charge special fund established by  
17 section 261-5.5; and
- 18 (22) Court interpreting services revolving fund established  
19 by [~~+~~]section 607-1.5[~~+~~];
- 20 shall be responsible for its pro rata share of the  
21 administrative expenses incurred by the department responsible  
22 for the operations supported by the special fund concerned."





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

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

11 (1) The sum from all general excise tax revenues realized  
12 by the State that represents the difference between  
13 \$45,000,000 and the proceeds from the sale of any  
14 general obligation bonds authorized for that fiscal  
15 year for the purposes of the state educational  
16 facilities improvement special fund shall be deposited  
17 in the state treasury in each fiscal year to the  
18 credit of the state educational facilities improvement  
19 special fund;

20 (2) A sum, not to exceed \$5,000,000, from all general  
21 excise tax revenues realized by the State shall be  
22 deposited in the state treasury in each fiscal year to



1 the credit of the compound interest bond reserve fund;  
2 and

3 ~~[(3) A sum, not to exceed the amount necessary to meet the~~  
4 ~~obligations of the integrated tax information~~  
5 ~~management systems performance-based contract may be~~  
6 ~~retained and deposited in the state treasury to the~~  
7 ~~credit of the integrated tax information management~~  
8 ~~systems special fund. The sum retained by the~~  
9 ~~director of taxation for deposit to the integrated tax~~  
10 ~~information management systems special fund for each~~  
11 ~~fiscal year shall be limited to amounts appropriated~~  
12 ~~by the legislature. This paragraph shall be repealed~~  
13 ~~on July 1, 2005.]~~

14 (3) A sum, not to exceed the amount necessary to meet the  
15 obligations of the integrated tax information  
16 management systems performance-based contract may be  
17 retained and deposited in the state treasury to the  
18 credit of the integrated tax information management  
19 systems special fund. The sum retained by the  
20 director of taxation for deposit to the integrated tax  
21 information management systems special fund for each



1           fiscal year shall be limited to amounts appropriated  
2           by the legislature."

3           SECTION 6. There is appropriated out of the integrated tax  
4 information management systems special fund the sum of \$  
5 or so much thereof as may be necessary for fiscal year 2006-2007  
6 to carry out the purposes of this Act.

7           The sum appropriated shall be expended by the department of  
8 taxation.

9           SECTION 7. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11           SECTION 8. This Act shall take effect on July 1, 2020 and  
12 shall be repealed on June 30, 2011.

HB NO 2419

**Report Title:**

Integrated Tax Information Management Systems; Special Fund

**Description:**

Establishes Integrated Tax Information Management Systems Special Fund (Fund) to receive revenues from the integrated tax information management systems post-implementation revenue-generating initiatives. Moneys in the Fund will be used to pay for the integrated tax information management systems. (HB2419 HD1)

