
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.

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

12 "§231- Integrated tax information management systems
13 special fund. (a) There is established in the state treasury
14 the integrated tax information management systems special fund,
15 into which shall be deposited ninety per cent of the revenue
16 received by the department from the integrated tax information
17 management systems post-implementation revenue-generating
18 initiatives.



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

8 (c) The department of taxation may enter into performance-
9 based contracts to enhance or acquire automated tax systems,
10 including computer hardware and software, for the administration
11 of taxes imposed under title 14. The department shall enter
12 into performance-based contracts to enhance or acquire automated
13 tax systems, including computer hardware and software, for the
14 implementation and administration of the amendments to the taxes
15 imposed under title 14 to conform to the Streamlined Sales and
16 Use Tax Agreement, and for the implementation and administration
17 of the city and county of Honolulu surcharge authorized under
18 section 46-16.8 and adopted by ordinance.

19 For the purposes of this chapter:

20 "Performance-based contract" means a contract under which
21 compensation to the vendor shall be computed according to
22 performance standards established by the department. Any



1 performance-based contract entered into by the department for
2 this purpose shall provide:

3 (1) For the payment of fees based on a contractually
4 specified amount of the increase in the amount of
5 taxes, interests, and penalties collected and
6 attributable to the implementation of automated tax
7 systems; or

8 (2) For the payment of fees on a fixed-fee contract basis
9 to be paid from the increase in the amount of taxes,
10 interests, and penalties collected and attributable to
11 the implementation of automated tax systems.

12 The State shall receive title to the enhanced or automated tax
13 systems upon full payment to the vendor.

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

17 (e) The department shall report to the legislature no
18 later than twenty days prior to the convening of every regular
19 session with respect to the status of the performance-based
20 contracts and shall provide an accounting of all moneys
21 appropriated. The report shall include:

- 1 (2) School cafeteria special funds of the department of
- 2 education;
- 3 (3) Special funds of the University of Hawaii;
- 4 (4) State educational facilities improvement special fund;
- 5 (5) Convention center enterprise special fund under
- 6 section 201B-8;
- 7 (6) Special funds established by section 206E-6;
- 8 (7) Housing loan program revenue bond special fund;
- 9 (8) Housing project bond special fund;
- 10 (9) Aloha Tower fund created by section 206J-17;
- 11 (10) Funds of the employees' retirement system created by
- 12 section 88-109;
- 13 (11) Unemployment compensation fund established under
- 14 section 383-121;
- 15 (12) Hawaii hurricane relief fund established under chapter
- 16 431P;
- 17 (13) Hawaii health systems corporation special funds;
- 18 (14) Tourism special fund established under section
- 19 201B-11;
- 20 (15) Universal service fund established under chapter 269;
- 21 (16) Integrated tax information management systems special
- 22 fund under section [~~231-3.2;~~] 231- ;

- 1 (17) Emergency and budget reserve fund under section
2 328L-3;
- 3 (18) Public schools special fees and charges fund under
4 section 302A-1130(f);
- 5 (19) Sport fish special fund under section 187A-9.5;
- 6 (20) Neurotrauma special fund under section 321H-4;
- 7 (21) Deposit beverage container deposit special fund under
8 section 342G-104;
- 9 (22) Glass advance disposal fee special fund established by
10 section 342G-82;
- 11 (23) Center for nursing special fund under section 304D-5;
- 12 (24) Passenger facility charge special fund established by
13 section 261-5.5;
- 14 (25) Solicitation of funds for charitable purposes special
15 fund established by section 467B-15;
- 16 (26) Land conservation fund established by section 173A-5;
17 [+]and[+]
- 18 [+](27) [+] Court interpreting services revolving fund,
19 shall deduct five per cent of all receipts of all other special
20 funds, which deduction shall be transferred to the general fund
21 of the State and become general realizations of the State. All
22 officers of the State and other persons having power to allocate



1 or disburse any special funds shall cooperate with the director
2 in effecting these transfers. To determine the proper revenue
3 base upon which the central service assessment is to be
4 calculated, the director shall adopt rules pursuant to chapter
5 91 for the purpose of suspending or limiting the application of
6 the central service assessment of any fund. No later than
7 twenty days prior to the convening of each regular session of
8 the legislature, the director shall report all central service
9 assessments made during the preceding fiscal year."

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

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

- 13 (1) Transportation use special fund established by section
14 261D-1;
- 15 (2) Special out-of-school time instructional program fund
16 under section 302A-1310;
- 17 (3) School cafeteria special funds of the department of
18 education;
- 19 (4) Special funds of the University of Hawaii;
- 20 (5) State educational facilities improvement special fund;
- 21 (6) Special funds established by section 206E-6;
- 22 (7) Aloha Tower fund created by section 206J-17;



- 1 (8) Funds of the employee's retirement system created by
2 section 88-109;
- 3 (9) Unemployment compensation fund established under
4 section 383-121;
- 5 (10) Hawaii hurricane relief fund established under chapter
6 431P;
- 7 (11) Convention center enterprise special fund established
8 under section 201B-8;
- 9 (12) Hawaii health systems corporation special funds;
- 10 (13) Tourism special fund established under section
11 201G-11;
- 12 (14) Universal service fund established under chapter 269;
- 13 (15) Integrated tax information management systems special
14 fund under section [~~231-3.27~~] 231-___ ;
- 15 (16) Emergency and budget reserve fund under section
16 328L-3;
- 17 (17) Public schools special fees and charges fund under
18 section 302A-1130(f);
- 19 (18) Sport fish special fund under section 187A-9.5;
- 20 (19) Neurotrauma special fund under section 321H-4;
- 21 (20) Center for nursing special fund under section 304D-5;



1 (21) Passenger facility charge special fund established by
2 section 261-5.5; and

3 (22) Court interpreting services revolving fund under
4 [+]section 607-1.5[+];

5 shall be responsible for its pro rata share of the
6 administrative expenses incurred by the department responsible
7 for the operations supported by the special fund concerned."

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

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

18 (1) The sum from all general excise tax revenues realized
19 by the State that represents the difference between
20 \$45,000,000 and the proceeds from the sale of any
21 general obligation bonds authorized for that fiscal
22 year for the purposes of the state educational



1 facilities improvement special fund shall be deposited
2 in the state treasury in each fiscal year to the
3 credit of the state educational facilities improvement
4 special fund;

5 (2) A sum, not to exceed \$5,000,000, from all general
6 excise tax revenues realized by the State shall be
7 deposited in the state treasury in each fiscal year to
8 the credit of the compound interest bond reserve fund;
9 and

10 (3) A sum, not to exceed the amount necessary to meet the
11 obligations of the integrated tax information
12 management systems performance-based contract may be
13 retained and deposited in the state treasury to the
14 credit of the integrated tax information management
15 systems special fund. The sum retained by the
16 director of taxation for deposit to the integrated tax
17 information managements systems special fund for each
18 fiscal year shall be limited to amounts appropriated
19 by the legislature."

20 SECTION 6. There is appropriated out of the integrated tax
21 information management systems special fund the sum of
22 \$, or so much thereof as may be necessary, for fiscal

1 year 2006-2007 to carry out the purposes of this Act. The sum
2 appropriated shall be expended by the department of taxation.

3 SECTION 7. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect on July 1, 2050 and
6 shall be repealed on June 30, 2011.

Report Title:

Taxes; Administration

Description:

Specifies that a vendor will only be paid when measurable increases in revenues resulting from the initiatives are collected by the State. Creates an ITIMS special fund to hold the proceeds from the initiatives, to be used in part to enhance the DOTAX computer system, the integrated tax information management system (ITIMS). (SD1)

