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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.

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 system's 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 system's  
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 to conform  
14 to the Streamlined Sales and Use Tax Agreement, and for the  
15 implementation and administration of the county surcharge on  
16 state tax authorized under section 46-16.8 and adopted by county  
17 ordinance.

18       For the purposes of this chapter:

19       "Performance-based contract" means a contract under which  
20 compensation to the vendor shall be computed according to  
21 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        (1) Detailed information on the costs and benefits of  
2        implementing the automated tax systems;
- 3        (2) The amount of increased tax, interest, and penalties  
4        collected that is attributable to the automated tax  
5        system;
- 6        (3) The amount paid to the vendor or vendors contracted  
7        under subsection (c); and
- 8        (4) The information from the preceding fiscal year.

9        Reporting shall continue until two complete fiscal years have  
10       elapsed following full implementation of the automated tax  
11       systems."

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

14       "**§36-27 Transfers from special funds for central service**  
15       **expenses.** Except as provided in this section, and  
16       notwithstanding any other law to the contrary, from time to  
17       time, the director of finance, for the purpose of defraying the  
18       prorated estimate of central service expenses of government in  
19       relation to all special funds, except the:

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



- 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 [~~231-3.27~~] 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 [+ ]section 607-1.5[+ ], shall deduct five per cent of all  
20 receipts of all other special funds, which deduction shall be  
21 transferred to the general fund of the State and become general  
22 realizations of the State. All officers of the State and other



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

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

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



- 1 (7) Aloha Tower fund created by section 206J-17;
- 2 (8) Funds of the employee's retirement system created by
- 3 section 88-109;
- 4 (9) Unemployment compensation fund established under
- 5 section 383-121;
- 6 (10) Hawaii hurricane relief fund established under chapter
- 7 431P;
- 8 (11) Convention center enterprise special fund established
- 9 under section 201B-8;
- 10 (12) Hawaii health systems corporation special funds;
- 11 (13) Tourism special fund established under section
- 12 201G-11;
- 13 (14) Universal service fund established under chapter 269;
- 14 (15) Integrated tax information management systems special
- 15 fund under section [~~231-3.2~~] 231-  ;
- 16 (16) Emergency and budget reserve fund under section
- 17 328L-3;
- 18 (17) Public schools special fees and charges fund under
- 19 section 302A-1130(f);
- 20 (18) Sport fish special fund under section 187A-9.5;
- 21 (19) Neurotrauma special fund under section 321H-4;
- 22 (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 management systems special fund for each~~  
18 ~~fiscal year shall be limited to amounts appropriated~~  
19 ~~by the legislature. This paragraph shall be repealed~~  
20 ~~on July 1, 2005.]~~

21 (3) A sum, not to exceed the amount necessary to meet the  
22 obligations of the integrated tax information



1           management system's performance-based contract may be  
2           retained and deposited in the state treasury to the  
3           credit of the integrated tax information management  
4           systems special fund. The sum retained by the  
5           director of taxation for deposit to the integrated tax  
6           information managements systems special fund for each  
7           fiscal year shall be limited to amounts appropriated  
8           by the legislature."

9           SECTION 6. Section 231-3.2, Hawaii Revised Statutes, is  
10          repealed.

11          ~~["§231-3.2 Integrated tax information management systems~~  
12          ~~special fund. (a) There is established in the state treasury~~  
13          ~~the integrated tax information management systems special fund~~  
14          ~~into which shall be deposited general excise tax revenues as~~  
15          ~~provided by section 237-31. The director of taxation may retain~~  
16          ~~and deposit the amounts necessary to meet the obligations of the~~  
17          ~~integrated tax information management systems performance-based~~  
18          ~~contract. The amounts transferred by the director of taxation~~  
19          ~~to the integrated tax information management systems special~~  
20          ~~fund for a fiscal year shall be limited to the amounts~~  
21          ~~appropriated by the legislature.~~



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 authorized by Act 273, Session Laws~~  
4 ~~of Hawaii 1996.~~

5       ~~(c) The department shall submit an annual report to the~~  
6 ~~legislature no later than twenty days prior to the convening of~~  
7 ~~each regular session, providing an accounting of the receipts~~  
8 ~~of, and expenditures from, the fund.~~

9       ~~(d) This section shall be repealed on July 1, 2005."]~~

10       SECTION 7. There is appropriated out of the integrated tax  
11 information management systems special fund the sum of  
12 \$           , or so much thereof as may be necessary, for fiscal  
13 year 2006-2007 to carry out the purposes of this Act. The sum  
14 appropriated shall be expended by the department of taxation.

15       SECTION 8. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17       SECTION 9. This Act shall take effect on July 1, 2050 and  
18 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 integrated tax information management systems 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. (SD2)

