

Honolulu, Hawaii

April 5, 2006

RE: S.B. No. 2382
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2382, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to expand the Department of Taxation's (DOTAX) performance-based contract capabilities to create revenue-generating initiatives. Among other things, this bill:

- (1) Establishes the Integrated Tax Information Management Systems Special Fund (Fund);
- (2) Requires monies from the Fund to be used to pay for performance-based contracts and administrative and operating expenses;
- (3) Requires any excess funds to be deposited into the general fund;
- (4) Allows DOTAX to enter into performance-based contracts to enhance or acquire automated tax systems, including computer hardware and software, for the administration of taxes imposed under Title 14, Hawaii Revised Statutes;



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- (5) Requires DOTAX to enter into performance-based contracts to enhance or acquire automated tax systems, including hardware and software for:
 - (A) The Streamlined Sales and Use Tax Agreement; and
 - (B) The implementation and administration of the county surcharge on state tax;
- (6) Requires that the title to the enhanced or automated tax systems be given to the State upon full payment to the contracted vendor; and
- (7) Requires DOTAX to report to the Legislature prior to the convening of every regular session on the status of performance-based contracts and provide an accounting of all monies appropriated.

The Department of Budget and Fiscal Services of the City and County of Honolulu testified in support of this bill. DOTAX supported the intent of this measure. The Tax Foundation of Hawaii submitted comments.

Your Committee amended this measure by making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2382, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2382, S.D. 2, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



DWIGHT TAKAMINE, Chair



