

Honolulu, Hawaii

APR - 7 2006

RE: H.B. No. 2419  
H.D. 1  
S.D. 2

Honorable Robert Bunda  
President of the Senate  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2419, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to enhance the Department of Taxation's computer system and to streamline its related operational procedures.

Specifically, the measure:

- (1) Authorizes the Department of Taxation to enter into performance-based contracts to enhance or acquire automated tax systems and related hardware and software to implement and administer any amendments made to the taxes imposed under Title 14 of the Hawaii Revised Statutes pursuant to the adoption of a streamlined sales and use tax agreement identified under chapter 255D, Hawaii Revised Statutes, or any county surcharge on the State's general excise tax that may be imposed by the City and County of Honolulu;
- (2) Amends sections 237-8.6 and 238-2.6, Hawaii Revised Statutes, as amended by Act 247, Session Laws of Hawaii 2005, to authorize the Department of Taxation to apply this performance-based contracting authority to contracts executed in 2006 for services to implement the



county surcharge on the state general excise tax and use taxes on imported services;

- (3) Establishes a new Integrated Tax Information Management Systems Special Fund to receive revenues from the integrated tax information management systems post-implementation revenue-generating initiatives that represent the increase over the average of the total amount of tax revenues collected under chapters 235, 237, and 238, Hawaii Revised Statutes, in each of the three years preceding the execution of a performance based contract;
- (4) Establishes that the moneys in the new Integrated Tax Information Management Systems Special Fund be expended to pay for integrated tax information management systems performance-based contracts and administrative and operating expenses;
- (5) Repeals section 231-3.2, Hawaii Revised Statutes, the former provisions of the Integrated Tax Information Management Systems Special Fund, since that special fund has been statutorily inoperative since July 1, 2005;
- (6) Repeals the Department of Taxation's authority to enter into performance-based contracts as established under Act 273, Session Laws of Hawaii 1996, to avoid inconsistency between the two authorizations; and
- (7) Requires that the Department of Taxation shall execute its performance-based contracts and work assignments in accordance with this measure and the following timelines:
  - (A) For executing the Department of Taxation's integrated tax information management systems enhancements and related services contract - October 1, 2006;
  - (B) For implementing the requirements of the county surcharge on the state general excise tax as authorized under Act 247, Session Laws of Hawaii 2005 - January 1, 2007; and



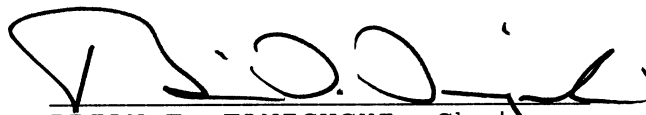
- (C) For implementing the requirements of the Streamlined Sales Tax as identified under chapter 255D, Hawaii Revised Statutes - October 1, 2007.

Your Committee has amended the measure by:

- (1) Changing the effective date from upon approval to July 1, 2050; and
- (2) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2419, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2419, H.D. 1, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,




BRIAN T. TANIGUCHI, Chair



**The Senate  
Twenty-Third Legislature  
State of Hawaii**

**Record of Votes of the  
Committee on Ways and Means  
(Bills and Resolutions)**

Measure:*	Committee Referral:	Date:
HB 2419 HD1 SD1	MAT, WAM	04/24/06
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is to:		
<input type="checkbox"/> Pass, unamended (2312)	<input checked="" type="checkbox"/> Pass, with amendments (2311)	<input type="checkbox"/> Hold (2310)
<input type="checkbox"/> Recommit (2313)		
Members	Ayes	Ayes(WR)
Nays	Excused	
TANIGUCHI, Brian T. (C)	/	
TSUTSUI, Shan S. (VC)	/	
ENGLISH, J. Kalani	/	
ESPERO, Will	/	
FUKUNAGA, Carol	/	
HOOSER, Gary L.	/	
INOUE, Lorraine R.	/	
KANNO, Brian		/
KIM, Donna Mercado	/	
KOKUBUN, Russell S.	/	
NISHIHARA, Clarence K.	/	
SAKAMOTO, Norman	/	
HEMMINGS, Fred		/
SLOM, Sam		/
TRIMBLE, Gordon	/	
TOTAL	12	0
1	2	
Recommendation:		
<input checked="" type="checkbox"/> Adopted	<input type="checkbox"/> Not Adopted	
Chair's or Designee's Signature: 		
<b>Distribution:</b>	Original	Yellow
	File with Committee Report	Clerk's Office
	Pink	Goldenrod
	Drafting Agency	Committee File Copy

\*Do not list more than one measure per Record of Votes.