
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 231, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§231- Cost of living adjustments. (a) Beginning in
5 2009, and each year thereafter, the department shall multiply
6 the cost-of-living adjustment for the taxable year by the
7 following:

8 (1) Standard deduction amounts under section 235-2.4(a);

9 (2) Tax rates under sections 235-51;

10 (3) Exemption amounts under section 235-54; and

11 (4) Any other taxable rates, amounts, deductions, or

12 exemptions established by law;

13 and assess these taxes or recognize these amounts after

14 adjusting for inflation as prescribed by this section.

15 (b) If the dollar amounts of the tax, deduction, or

16 exemption adjusted by the application of the cost-of-living

17 adjustment are not multiples of \$50, any increase shall be

18 rounded to the next lowest multiple of \$50; provided that if the



1 cost-of-living adjustment for any taxable year is 1.00 or less,
2 no adjustment shall be made for that taxable year.

3 (b) The department shall incorporate necessary changes
4 into the income tax forms, instructions, and withholding tables
5 to effectuate the purposes of this section and may adopt rules
6 pursuant to chapter 91 to effectuate this section.

7 (c) As used in this chapter, unless the context indicates
8 otherwise, the following terms shall have the following
9 meanings:

10 "Consumer price index" means the average over a twelve-
11 month period of the national consumer price index, not
12 seasonally adjusted, published monthly by the Bureau of Labor
13 Statistics, United States Department of Labor, designated as the
14 "National Consumer Price Index for All Urban Consumers-United
15 States City Average".

16 "Cost-of-living adjustment" means an adjustment equal to
17 the consumer price index for the twelve-month period ending
18 December 31 of the preceding taxable year divided by the
19 consumer price index for the twelve-month period ending December
20 31, 2007."

21 SECTION 2. Section 231-3, Hawaii Revised Statutes, is
22 amended to read as follows:



1 "**§231-3 Department, general duties and powers.** The
2 department of taxation shall have the following duties and
3 powers, in addition to any others prescribed or granted by this
4 chapter:

5 (1) Assessment: To make any assessment by law required to
6 be made by the department; provided that the
7 assessment shall reflect the cost-of-living
8 adjustments under section 231- ;

9 (2) Collections: To be responsible for the collection of
10 all taxes imposed under title 14, except those which
11 by law are to be collected by county treasurers, and
12 for such other duties as are provided by law;

13 (3) Construction of revenue laws: To construe the tax and
14 revenue laws, the administration of which is within
15 the scope of the department's duties, whenever
16 requested by any officer acting under those laws, or
17 by an interested person;

18 (4) Enforcement of penalties: To see that penalties are
19 enforced when prescribed by any tax or revenue law of
20 the State (the administration of which is within the
21 scope of the department's duties) for disobedience or
22 evading of its provisions, and to see that complaint



1 is made against persons violating any such law; in the
2 execution of these powers and duties the department
3 may call upon the attorney general or any of the
4 attorney general's deputies, including the county
5 attorneys or public prosecutors, whose duties it shall
6 be to assist in the institution and conduct of all
7 proceedings or prosecutions for penalties and
8 forfeitures, liabilities, and punishments for
9 violation of the laws administered by the department;

10 (5) Forms: To prescribe forms to be used in or in
11 connection with any assessment, including forms to be
12 used in the making of returns by taxpayers or in any
13 other proceedings connected with the assessment, and
14 to change the same from time to time as deemed
15 necessary;

16 (6) Inspection, examination of records: To inspect and
17 examine the records of all public officers without
18 charge, and to examine the books and papers of account
19 of any person for the purpose of enabling the
20 department to obtain all information that could in any
21 manner aid the department in discharging its duties
22 under any tax law;



- 1 (7) Recommendations for legislation: To recommend to the
2 governor any amendments, changes, or modifications of
3 the laws as may seem proper or necessary to remedy
4 injustice or irregularity in taxation or to facilitate
5 the assessment of taxes;
- 6 (8) Report to governor: To report to the governor
7 annually, and at such other times and in such manner
8 as the governor may require, concerning the acts and
9 doings and the administration of the department, and
10 any other matters of information concerning taxation
11 as may be deemed of general interest;
- 12 (9) Rules: To adopt such rules as the department may deem
13 proper effectually to carry out the purposes for which
14 the department is constituted and to regulate matters
15 of procedure by or before the department;
- 16 (10) Compromises: With the approval of the governor, to
17 compromise any claim where the tax exceeds \$50,000
18 (exclusive of penalties and interest) arising under
19 any tax law the administration of which is within the
20 scope of the department's duties, and to compromise
21 any tax claim where the tax is \$50,000 or less
22 (exclusive of penalties and interest) without seeking



1 the approval of the governor; provided that the
2 director shall have the discretion to seek the
3 approval of the governor to compromise any tax claim
4 where the director deems it appropriate; and in each
5 case the department shall post each proposed
6 compromise, as set forth in subparagraphs (A) to (D),
7 on the department's internet website for five calendar
8 days before the director signs the compromise, and
9 there shall be placed on file in the department's
10 office a statement of:

- 11 (A) The name of the taxpayer and the amount and type
12 of tax assessed, or proposed to be assessed;
- 13 (B) The amount of penalties and interest imposed or
14 which could have been imposed by law with respect
15 to the amount of tax assessed, as computed by the
16 department;
- 17 (C) The total amount of liability as determined by
18 the terms of the compromise, and the actual
19 payments made thereon with the dates thereof; and
- 20 (D) The reasons for the compromise.

21 Notwithstanding the provisions of any law making
22 unlawful the disclosure of tax returns or return



1 information, statements on file and included in the
2 department's internet website in respect of
3 compromises shall be open to public inspection;

4 (11) Retroactivity of rulings: To prescribe the extent, if
5 any, to which any ruling, rule, or construction of the
6 tax laws, of general application, shall be applied
7 without retroactive effect;

8 (12) Remission of delinquency penalties and interest:
9 Except in cases of fraud or wilful violation of the
10 laws or wilful refusal to make a return setting forth
11 the information required by law (but inclusion in a
12 return of a claim of nonliability for the tax shall
13 not be deemed a refusal to make a return), the
14 department may remit any amount of penalties or
15 interest added, under any law administered by the
16 department, to any tax that is delinquent, in a case
17 of excusable failure to file a return or pay a tax
18 within the time required by law, or in a case of
19 uncollectibility of the whole amount due; and in that
20 case there shall be placed on file in the department's
21 office a statement showing the name of the person



1 receiving the remission, the principal amount of the
2 tax, and the year or period involved;

3 (13) Closing agreements: To enter into an agreement in
4 writing with any taxpayer or other person relating to
5 the liability of the taxpayer or other person, under
6 any law the administration of which is within the
7 scope of the department's duties, in respect of any
8 taxable period, or in respect of one or more separate
9 items affecting the liability for any taxable period;
10 the agreement, signed by or on behalf of the taxpayer
11 or other person concerned, and by or on behalf of the
12 department, shall be final and conclusive, and except
13 upon a showing of fraud or malfeasance, or
14 misrepresentation of a material fact:

15 (A) The matters agreed upon shall not be reopened,
16 and the agreement shall not be modified, by any
17 officer or employee of the State; and

18 (B) In any suit, action, or proceeding, the
19 agreement, or any determination, assessment,
20 collection, payment, refund, or credit made in
21 accordance therewith, shall not be annulled,
22 modified, set aside, or disregarded;



1 (14) Other powers and duties: In addition to the powers
2 and duties contained in this chapter, the powers and
3 duties contained in other chapters of the law under
4 title 14 administered by the department for levying,
5 assessing, collecting, receiving, and enforcing
6 payments of the tax imposed thereunder, and otherwise
7 relating thereto, shall be severally and respectively
8 conferred, granted, practiced, and exercised for
9 levying, assessing, collecting, receiving, and
10 enforcing payment of the taxes imposed under the
11 authority of those chapters as far as the provisions
12 are consistent with the express provisions of those
13 chapters, as fully and effectually to all intents and
14 purposes as if the same powers and authorities were
15 repeated in those chapters, with reference to those
16 taxes, and all of the provisions shall be applied,
17 construed, deemed, and taken to refer to the taxes
18 imposed under the authority of those chapters, in like
19 manner."

20 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval
2 and shall apply to taxable years beginning after December 31,
3 2007.
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INTRODUCED BY: Allen A. Belatti

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Tom Brown

JAN 18 2008



Report Title:

Cost of Living; Tax Rate; Standard Deduction; Personal Exemption

Description:

Provides for cost of living adjustments for state tax rates, amounts, deductions, and exemptions.

