
A BILL FOR AN ACT

RELATING TO REVENUE AUTHORITIES ADMINISTERED BY THE GOVERNMENT.

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

1 SECTION 1. The purpose of this Act is to make technical
2 corrections or additions to various provisions of the Hawaii
3 Revised Statutes, in order to improve the administration of
4 Hawaii taxes and other revenue authorities. These technical
5 amendments are intended to clarify, simplify, and conform Hawaii
6 tax law, where necessary.

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

10 "§231- Erroneous claim for refund or credit. If a
11 claim for refund or credit with respect to tax is made for an
12 excessive amount, unless it is shown by the person making the
13 claim that the claim for such excessive amount has a reasonable
14 basis, the person making such claim shall be liable for a
15 penalty in an amount equal to twenty per cent of the excessive
16 amount. For purposes of this section, the term "excessive
17 amount" means the amount by which the amount of the claim for

1 refund or credit for any taxable year exceeds the amount of such
2 claim allowable for such taxable year."

3 SECTION 3. Section 232-7, Hawaii Revised Statutes, is
4 amended by amending subsection (b) to read as follows:

5 "(b) Each board shall hold public meetings at some central
6 location in its taxation district, commencing not later than
7 April 9 of each year and shall hear, as speedily as possible,
8 all appeals presented for each year. A taxpayer's identity and
9 final documents submitted in support or opposition of an appeal
10 shall be public information. Each board shall have the power
11 and authority to decide all questions of fact and all questions
12 of law, excepting questions involving the Constitution or laws
13 of the United States, necessary to the determination of the
14 objections raised by the taxpayer in the notice of appeal;
15 provided that no board shall have power to determine or declare
16 an assessment illegal or void. Without prejudice to the
17 generality of the foregoing, each board shall have power to
18 allow or disallow exemptions pursuant to law whether or not
19 previously allowed or disallowed by the assessor and to increase
20 or lower any assessment."

21 SECTION 4. Section 232-16, Hawaii Revised Statutes, is
22 amended to read as follows:

1 "§232-16 Appeal to tax appeal court. A taxpayer or county,
2 in all cases, may appeal directly to the tax appeal court without
3 appealing to a state board of review, or any equivalent
4 administrative body established by county ordinance. An appeal
5 to the tax appeal court is properly commenced by filing, on or
6 before the date fixed by law for the taking of the appeal, a
7 written notice of appeal in the office of the tax appeal court
8 and by service of the notice of appeal on the director of
9 taxation and, in the case of an appeal from a decision involving
10 the county as a party, the real property assessment division of
11 the county involved. An appealing taxpayer shall also pay the
12 costs in the amount fixed by section 232-22.

13 The notice of appeal to the tax appeal court shall be
14 sufficient if it meets the requirements prescribed for a notice
15 of appeal to the board of review and may be amended at any time;
16 provided that it sets forth the following additional information,
17 to wit:

18 A brief description of the property involved in sufficient
19 detail to identify the same and the valuation placed thereon by
20 the assessor.

21 The notice of appeal shall be accompanied by a copy of the
22 taxpayer's return, if any has been filed[-]; provided that an

1 individual taxpayer is authorized to redact all but the last four
2 digits of the taxpayer's social security number from any
3 accompanying tax return.

4 An appeal to the tax appeal court shall be deemed to have
5 been taken in time if the notice thereof and costs and the copy
6 of the notice shall have been deposited in the mail, postage
7 prepaid, properly addressed to the tax appeal court, the director
8 of taxation, or the real property assessment division of the
9 county involved, and to the taxpayer or taxpayers in the case of
10 an appeal taken by a county, respectively, on or before the date
11 fixed by law for the taking of the appeal.

12 An appeal to the tax appeal court shall bring up for review
13 all questions of fact and all questions of law, including
14 constitutional questions, necessary to the determination of the
15 objections raised by the taxpayer or county in the notice of
16 appeal."

17 SECTION 5. Section 232-18, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§232-18 Certificate of appeal to tax appeal court.** Upon
20 the perfecting of an appeal to the tax appeal court, the tax
21 assessor of the district from which the appeal is taken shall
22 immediately send up to the tax appeal court a certificate in

1 which there shall be set forth the information required by
2 section 232-16 to be set forth in the notice of appeal where an
3 appeal is taken direct from the assessment to the tax appeal
4 court.

5 The certificate shall be accompanied by the taxpayer's
6 return, if any has been filed[7]; provided that the department of
7 taxation is authorized to redact all, but the last four digits of
8 an individual taxpayer's social security number from any
9 accompanying tax return, a copy of the notice of appeal to the
10 state board of review, or equivalent administrative body
11 established by county ordinance, and any amendments thereto, and
12 the decision or action, if any, of the state board of review or
13 equivalent administrative body. Failure of the assessor to
14 comply herewith shall not prejudice or affect the taxpayer's,
15 county's, or assessor's appeal and the certificate of appeal may
16 be amended at any time up to the final determination of the
17 appeal."

18 SECTION 6. Section 235-2.5, Hawaii Revised Statutes, is
19 amended by amending subsection (c) to read as follows:

20 "(c) The department of taxation shall submit to each
21 regular session of the legislature a bill to amend sections 235-
22 2.3, 235-2.4, and 235-2.45 and such other sections and

1 subsections of this chapter as may be necessary to adopt the
2 Internal Revenue Code as it exists on the December 31 preceding
3 such regular session. In submitting the bill the department may
4 provide that certain amendments to the Internal Revenue Code by
5 Congress during the preceding calendar year shall not be
6 operative in this State or as operative are limited in their
7 operation. The department [~~shall~~] may also prepare a digest and
8 explanation of the amended provisions of the Internal Revenue
9 Code recommended for operation, as well as those provisions which
10 are limited in their operation, or which are not recommended for
11 operation, and shall submit [~~with the bill required by this~~
12 ~~subsection the digest,~~] to the legislature testimony, comments,
13 an explanation, and a statement of revenue impact of the adoption
14 of such bill. In preparing the bill, digest, [~~and~~] or
15 explanation the department may request the assistance of the
16 office of the legislative reference bureau.

17 It is the intent of the legislature that it shall each year
18 adopt all amendments to the Internal Revenue Code for the
19 calendar year preceding the year in which the legislature meets;
20 provided that the legislature may choose to adopt none of the
21 amendments to the Internal Revenue Code or may provide that
22 certain amendments are limited in their operation."

1 SECTION 7. Section 235-7.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§235-7.5 Certain unearned income of ~~minor~~ children taxed
4 as if parent's income. (a) In the case of any child to whom
5 this section applies, the tax imposed by this chapter shall be
6 equal to the greater of:

7 (1) The tax imposed by section 235-51 without regard to
8 this section, or

9 (2) The sum of:

10 (A) The tax which would be imposed by section 235-51
11 if the taxable income of such child for the
12 taxable year were reduced by the net unearned
13 income of such child, plus

14 (B) Such child's share of allocable parental tax.

15 (b) This section shall apply to any child for any taxable
16 year if:

17 (1) Such child ~~[has not attained age fourteen before the~~
18 ~~close of the taxable year, and]~~:

19 (A) Has not attained age eighteen before the close of
20 the taxable year, or

21 (B) Has:

- 1 (i) Attained age eighteen before the close of the
2 taxable year and meets the age requirements
3 of section 152(c) (3) (relating to age
4 requirements for a qualifying dependent
5 child) of the Internal Revenue Code without
6 regard to subparagraph B thereof, for such
7 taxable year; and
- 8 (ii) Whose earned income as defined in section
9 911(d) (2) (relating to defining earned
10 income) of the Internal Revenue Code, for
11 such taxable year does not exceed one-half of
12 the amount of the individual's support within
13 the meaning of section 152(c) (1) (D) (relating
14 to support requirements for a qualifying
15 dependent child) of the Internal Revenue
16 Code, after application of section 152(f) (5)
17 (relating to a special support test for
18 students) of the Internal Revenue Code, for
19 such taxable year.
- 20 (2) Either parent of such child is alive at the close of
21 the taxable year.

1 (3) Such child does not file a joint return for the taxable
2 year.

3 (c) For the purpose of this section:

4 (1) The term "allocable parental tax" means the excess of:

5 (A) The tax which would be imposed by section 235-51

6 on the parent's taxable income if such income

7 included the net unearned income of all children

8 of the parent to whom this section applies, over,

9 (B) The tax imposed by section 235-51 on the parent

10 without regard to this section.

11 For purposes of subparagraph (A), net unearned income

12 of all children of the parent shall not be taken into

13 account in computing any exclusion, deduction, or

14 credit of the parent.

15 (2) A child's share of any allocable parental tax of a

16 parent shall be equal to an amount which bears the same

17 ratio to the total allocable parental tax as the

18 child's net unearned income bears to the aggregate net

19 unearned income of all children of such parent to whom

20 this section applies.

21 (3) Except as provided in rules, if the parent does not

22 have the same taxable year as the child, the allocable

1 parental tax shall be determined on the basis of the
2 taxable year of the parent ending in the child's
3 taxable year.

4 (d) For purposes of this section:

5 (1) The term "net unearned income" means the excess of:

6 (A) The portion of the adjusted gross income for the
7 taxable year which is not attributable to earned
8 income as defined in the Internal Revenue Code,
9 over,

10 (B) The sum of:

11 (i) The amount in effect for the taxable year
12 under section 63(c)(5)(A) (relating to the
13 limitation on standard deduction in the case
14 of certain dependents) of the Internal
15 Revenue Code as operative under section 235-
16 2.4(a), plus

17 (ii) The greater of the amount described in clause
18 (i) or, if the child itemizes the child's
19 deductions for the taxable year, the amount
20 of the itemized deductions allowed by this
21 chapter for the taxable year which are
22 directly connected with the production of the

1 portion of adjusted gross income referred to
2 in subparagraph (A).

3 (2) The amount of the net unearned income for any taxable
4 year shall not exceed the individual's taxable income
5 for such taxable year.

6 (3) In the case of any child who is a beneficiary of a
7 qualified disability trust, as defined in section
8 642(b)(2)(C)(ii) (with respect to qualified disability
9 trusts) of the Internal Revenue Code, any amount
10 included in the income of such child under sections 652
11 and 662 (each with respect to inclusion in income of
12 certain trust distributions) of the Internal Revenue
13 Code during a taxable year shall be considered earned
14 income of such child for such taxable year.

15 (e) For purposes of this section, the parent whose taxable
16 income shall be taken into account shall be:

17 (1) In the case of parents who are not married (within the
18 meaning of section 235-93), the custodial parent
19 (within the meaning of section 152(e) (with respect to
20 the support test in case of child of divorced parents,
21 etc.) of the Internal Revenue Code) of the child, and

1 (2) In the case of married individuals filing separately,
2 the individual with the greater taxable income.

3 (f) The parent of any child to whom this section applies
4 for any taxable year shall provide the social security number of
5 such parent to such child and such child shall include such
6 parent's social security number on the child's return of tax
7 imposed by this section for such taxable year.

8 (g) Election to claim certain unearned income of child on
9 parent's return.

10 (1) If:

11 (A) Any child to whom this section applies has gross
12 income for the taxable year only from interest and
13 dividends (including Alaska Permanent Fund
14 dividends),

15 (B) Such gross income is more than \$500 and less than
16 \$5,000,

17 (C) No estimated tax payments for such year are made
18 in the name and social security number of such
19 child, and no amount has been deducted and
20 withheld under section 3406 (with respect to
21 backup withholding) of the Internal Revenue Code,
22 and

1 (D) The parent of such child (as determined under
2 subsection (e)) elects the application of
3 paragraph (2),
4 such child shall be treated (other than for purposes of
5 this paragraph) as having no gross income for such year
6 and shall not be required to file a return under this
7 chapter.

8 (2) In the case of a parent making the election under this
9 subsection:

10 (A) The gross income of each child to whom such
11 election applies (to the extent the gross income
12 of such child exceeds \$1,000) shall be included in
13 such parent's gross income for the taxable year,

14 (B) The tax imposed by this section for such year with
15 respect to such parent shall be the amount equal
16 to the sum of:

17 (i) The amount determined under section 235-51
18 after the application of subparagraph (A),
19 plus

20 (ii) For each such child, the lesser of \$10 or two
21 per cent of the excess of the gross income of
22 such child over \$500.

1 (3) The director shall prescribe such rules as may be
2 necessary or appropriate to carry out the purposes of
3 this subsection."

4 SECTION 8. Section 235-20.5, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§235-20.5 Tax administration special fund; established.**

7 There is established a tax administration special fund, into
8 which shall be deposited fees collected under sections 235-20,
9 235-110.9, and 235-110.91, and penalties collected under section
10 2 of Act 206, [+]Session Laws of Hawaii 2007[+]. The moneys in
11 the fund shall be expended by the department to offset the costs
12 associated with:

- 13 (1) Issuing comfort letters; and
14 (2) Administering the tax [~~credit~~] credits under [~~section~~]
15 sections 235-110.9[+] and 235-110.91, including issuing
16 certificates [~~and~~
17 ~~(3) Issuing certificates under section 235-110.91]."~~

18 SECTION 9. Section 235-110.7, Hawaii Revised Statutes, is
19 amended as follows:

20 (1) By amending subsection (a) to read as follows:

21 "(a) There shall be allowed to each taxpayer subject to the
22 tax imposed by this chapter a capital goods excise tax credit

1 which shall be deductible from the taxpayer's net income tax
2 liability, if any, imposed by this chapter for the taxable year
3 in which the credit is properly claimed.

4 The amount of the tax credit shall be determined by [the
5 ~~application of the following rates~~] applying four per cent
6 against the cost of the eligible depreciable tangible personal
7 property used by the taxpayer in a trade or business and placed
8 in service within Hawaii after December 31, 1987. [~~For calendar~~
9 ~~years beginning after: December 31, 1987, the applicable rate~~
10 ~~shall be three per cent; December 31, 1988, and thereafter, the~~
11 ~~applicable rate shall be four per cent. For taxpayers with~~
12 ~~fiscal taxable years, the applicable rate shall be the rate for~~
13 ~~the calendar year in which the eligible depreciable tangible~~
14 ~~personal property used in the trade or business is placed in~~
15 ~~service within Hawaii.]~~

16 In the case of a partnership, S corporation, estate, or
17 trust, the tax credit allowable is for eligible depreciable
18 tangible personal property which is placed in service by the
19 entity. The cost upon which the tax credit is computed shall be
20 determined at the entity level. Distribution and share of credit
21 shall be determined by rules.

1 In the case of eligible depreciable tangible personal
2 property for which a credit for sales or use taxes paid to
3 another state is allowable under section 238-3(i), the amount of
4 the tax credit allowed under this section shall not exceed the
5 amount of use tax actually paid under chapter 238 relating to
6 such tangible personal property.

7 If a deduction is taken under section 179 (with respect to
8 election to expense certain depreciable business assets) of the
9 Internal Revenue Code of [~~1954,~~] 1986, as amended, no tax credit
10 shall be allowed for that portion of the cost of property for
11 which the deduction was taken."

12 (2) By Amending subsection (e) to read as follows:

13 "(e) As used in this section, the definition of section 38
14 property (with respect to investment in depreciable tangible
15 personal property) as defined by section 48(a)(1)(A), (a)(1)(B),
16 (a)(3), (a)(4), (a)(7), (a)(8), (a)(10)(A), (b), (c), (f), (l),
17 (m), and (s) of the Internal Revenue Code of 1954, as amended as
18 of December 31, 1984, is operative for the purposes of this
19 section only.

20 As used in this section:

21 "Canned computer software" means a pre-written set of
22 instructions or statements, which is capable of causing a

1 computer to indicate, perform, or achieve a particular function,
2 task, or result that has a general applicability and is made
3 available through a non-exclusive license or other permission to
4 use the pre-written set of instructions, and which has not been
5 prepared at the special request of the purchaser to meet the
6 purchaser's particular needs.

7 "Cost" means [~~(1) the actual invoice price of the tangible~~
8 ~~personal property, or (2)] the basis from which depreciation is~~
9 taken under section 167 (with respect to depreciation) or from
10 which a deduction may be taken under section 168 (with respect to
11 accelerated cost recovery system) of the Internal Revenue Code of
12 1954, as amended, whichever is less.

13 "Eligible depreciable tangible personal property" is section
14 38 property as defined by the operative provisions of section 48
15 and having a depreciable life under section 167 or for which a
16 deduction may be taken under section 168 of the federal Internal
17 Revenue Code of 1954, as amended. "Eligible depreciable tangible
18 personal property" includes canned computer software for taxable
19 years beginning after December 31, 2007; provided that tax at a
20 rate of at least four per cent has been paid under chapter 237 or
21 238 relating to the transaction involving canned computer
22 software.

1 "Placed in service" means the earliest of the following
2 taxable years:

3 (1) The taxable year in which, under the:

4 (A) Taxpayer's depreciation practice, the period for
5 depreciation; or

6 (B) Accelerated cost recovery system, a claim for
7 recovery allowances;

8 with respect to such property begins; or

9 (2) The taxable year in which the property is placed in a
10 condition or state of readiness and availability for a
11 specifically assigned function.

12 "Purchase" means an acquisition of property.

13 "Tangible personal property" means tangible personal
14 property which is placed in service within Hawaii after
15 December 31, 1987, and the purchase or importation of which
16 resulted in a transaction which was subject to the imposition and
17 payment of tax at the rate of four per cent under chapter 237 or
18 238. "Tangible personal property" does not include tangible
19 personal property which is an integral part of a building or
20 structure or tangible personal property used in a foreign trade
21 zone, as defined under chapter 212."

1 SECTION 10. Section 237-13, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§237-13 **Imposition of tax.** There is hereby levied and
4 shall be assessed and collected annually privilege taxes against
5 persons on account of their business and other activities in the
6 State measured by the application of rates against values of
7 products, gross proceeds of sales, or gross income, whichever is
8 specified, as follows:

9 (1) Tax on manufacturers.

10 (A) Upon every person engaging or continuing within
11 the State in the business of manufacturing,
12 including compounding, canning, preserving,
13 packing, printing, publishing, milling,
14 processing, refining, or preparing for sale,
15 profit, or commercial use, either directly or
16 through the activity of others, in whole or in
17 part, any article or articles, substance or
18 substances, commodity or commodities, the amount
19 of the tax to be equal to the value of the
20 articles, substances, or commodities,
21 manufactured, compounded, canned, preserved,
22 packed, printed, milled, processed, refined, or

1 prepared for sale, as shown by the gross proceeds
2 derived from the sale thereof by the manufacturer
3 or person compounding, preparing, or printing
4 them, multiplied by one-half of one per cent.

5 (B) The measure of the tax on manufacturers is the
6 value of the entire product for sale, regardless
7 of the place of sale or the fact that deliveries
8 may be made to points outside the State.

9 (C) If any person liable for the tax on manufacturers
10 ships or transports the person's product, or any
11 part thereof, out of the State, whether in a
12 finished or unfinished condition, or sells the
13 same for delivery to points outside the State (for
14 example, consigned to a mainland purchaser via
15 common carrier f.o.b. Honolulu), the value of the
16 products in the condition or form in which they
17 exist immediately before entering interstate or
18 foreign commerce, determined as hereinafter
19 provided, shall be the basis for the assessment of
20 the tax imposed by this paragraph. This tax shall
21 be due and payable as of the date of entry of the
22 products into interstate or foreign commerce,

1 whether the products are then sold or not. The
2 department shall determine the basis for
3 assessment, as provided by this paragraph, as
4 follows:

- 5 (i) If the products at the time of their entry
6 into interstate or foreign commerce already
7 have been sold, the gross proceeds of sale,
8 less the transportation expenses, if any,
9 incurred in realizing the gross proceeds for
10 transportation from the time of entry of the
11 products into interstate or foreign commerce,
12 including insurance and storage in transit,
13 shall be the measure of the value of the
14 products;
- 15 (ii) If the products have not been sold at the
16 time of their entry into interstate or
17 foreign commerce, and in cases governed by
18 clause (i) in which the products are sold
19 under circumstances such that the gross
20 proceeds of sale are not indicative of the
21 true value of the products, the value of the
22 products constituting the basis for

1 assessment shall correspond as nearly as
2 possible to the gross proceeds of sales for
3 delivery outside the State, adjusted as
4 provided in clause (i), or if sufficient data
5 are not available, sales in the State, of
6 similar products of like quality and
7 character and in similar quantities, made by
8 the taxpayer (unless not indicative of the
9 true value) or by others. Sales outside the
10 State, adjusted as provided in clause (i),
11 may be considered when they constitute the
12 best available data. The department shall
13 prescribe uniform and equitable rules for
14 ascertaining the values;

15 (iii) At the election of the taxpayer and with the
16 approval of the department, the taxpayer may
17 make the taxpayer's returns under clause (i)
18 even though the products have not been sold
19 at the time of their entry into interstate or
20 foreign commerce; and

21 (iv) In all cases in which products leave the
22 State in an unfinished condition, the basis

1 for assessment shall be adjusted so as to
2 deduct the portion of the value as is
3 attributable to the finishing of the goods
4 outside the State.

5 (2) Tax on business of selling tangible personal property;
6 producing.

7 (A) Upon every person engaging or continuing in the
8 business of selling any tangible personal property
9 whatsoever (not including, however, bonds or other
10 evidence of indebtedness, or stocks), there is
11 likewise hereby levied, and shall be assessed and
12 collected, a tax equivalent to four per cent of
13 the gross proceeds of sales of the business;
14 provided that insofar as the sale of tangible
15 personal property is a wholesale sale under
16 section ~~[237-4(a)(8)(B), the sale shall be subject~~
17 ~~to section 237-13.3.]~~ 237-4(a), the tax shall be
18 equal to one-half of one per cent of the gross
19 proceeds of sales of the business. Upon every
20 person engaging or continuing within this State in
21 the business of a producer, the tax shall be equal
22 to one-half of one per cent of the gross proceeds

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1 of sales of the business, or the value of the
2 products, for sale, if sold for delivery outside
3 the State or shipped or transported out of the
4 State, and the value of the products shall be
5 determined in the same manner as the value of
6 manufactured products covered in the cases under
7 paragraph (1) (C).

8 (B) Gross proceeds of sales of tangible property in
9 interstate and foreign commerce shall constitute a
10 part of the measure of the tax imposed on persons
11 in the business of selling tangible personal
12 property, to the extent, under the conditions, and
13 in accordance with the provisions of the
14 Constitution of the United States and the Acts of
15 the Congress of the United States which may be now
16 in force or may be hereafter adopted, and whenever
17 there occurs in the State an activity to which,
18 under the Constitution and Acts of Congress, there
19 may be attributed gross proceeds of sales, the
20 gross proceeds shall be so attributed.

21 (C) No manufacturer or producer, engaged in such
22 business in the State and selling the

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1 manufacturer's or producer's products for delivery
2 outside of the State (for example, consigned to a
3 mainland purchaser via common carrier f.o.b.
4 Honolulu), shall be required to pay the tax
5 imposed in this chapter for the privilege of so
6 selling the products, and the value or gross
7 proceeds of sales of the products shall be
8 included only in determining the measure of the
9 tax imposed upon the manufacturer or producer.

10 (D) When a manufacturer or producer, engaged in such
11 business in the State, also is engaged in selling
12 the manufacturer's or producer's products in the
13 State at wholesale, retail, or in any other
14 manner, the tax for the privilege of engaging in
15 the business of selling the products in the State
16 shall apply to the manufacturer or producer as
17 well as the tax for the privilege of manufacturing
18 or producing in the State, and the manufacturer or
19 producer shall make the returns of the gross
20 proceeds of the wholesale, retail, or other sales
21 required for the privilege of selling in the
22 State, as well as making the returns of the value

1 or gross proceeds of sales of the products
2 required for the privilege of manufacturing or
3 producing in the State. The manufacturer or
4 producer shall pay the tax imposed in this chapter
5 for the privilege of selling its products in the
6 State, and the value or gross proceeds of sales of
7 the products, thus subjected to tax, may be
8 deducted insofar as duplicated as to the same
9 products by the measure of the tax upon the
10 manufacturer or producer for the privilege of
11 manufacturing or producing in the State; provided
12 that no producer of agricultural products who
13 sells the products to a purchaser who will process
14 the products outside the State shall be required
15 to pay the tax imposed in this chapter for the
16 privilege of producing or selling those products.

17 (E) A taxpayer selling to a federal cost-plus
18 contractor may make the election provided for by
19 paragraph (3) (C), and in that case the tax shall
20 be computed pursuant to the election,
21 notwithstanding this paragraph or paragraph (1) to
22 the contrary.

1 (F) The department, by rule, may require that a seller
2 take from the purchaser of tangible personal
3 property a certificate, in a form prescribed by
4 the department, certifying that the sale is a sale
5 at wholesale; provided that:

6 (i) Any purchaser who furnishes a certificate
7 shall be obligated to pay to the seller, upon
8 demand, the amount of the additional tax that
9 is imposed upon the seller whenever the sale
10 in fact is not at wholesale; and

11 (ii) The absence of a certificate in itself shall
12 give rise to the presumption that the sale is
13 not at wholesale unless the sales of the
14 business are exclusively at wholesale.

15 (3) Tax upon contractors.

16 (A) Upon every person engaging or continuing within
17 the State in the business of contracting, the tax
18 shall be equal to four per cent of the gross
19 income of the business.

20 (B) In computing the tax levied under this paragraph,
21 there shall be deducted from the gross income of
22 the taxpayer so much thereof as has been included

1 in the measure of the tax levied under
2 subparagraph (A), on:

- 3 (i) Another taxpayer who is a contractor, as
4 defined in section 237-6;
- 5 (ii) A specialty contractor, duly licensed by the
6 department of commerce and consumer affairs
7 pursuant to section 444-9, in respect of the
8 specialty contractor's business; or
- 9 (iii) A specialty contractor who is not licensed by
10 the department of commerce and consumer
11 affairs pursuant to section 444-9, but who
12 performs contracting activities on federal
13 military installations and nowhere else in
14 this State;

15 provided that any person claiming a deduction
16 under this paragraph shall be required to show in
17 the person's return the name and general excise
18 number of the person paying the tax on the amount
19 deducted by the person.

- 20 (C) In computing the tax levied under this paragraph
21 against any federal cost-plus contractor, there
22 shall be excluded from the gross income of the

1 contractor so much thereof as fulfills the
2 following requirements:

- 3 (i) The gross income exempted shall constitute
4 reimbursement of costs incurred for
5 materials, plant, or equipment purchased from
6 a taxpayer licensed under this chapter, not
7 exceeding the gross proceeds of sale of the
8 taxpayer on account of the transaction; and
9 (ii) The taxpayer making the sale shall have
10 certified to the department that the taxpayer
11 is taxable with respect to the gross proceeds
12 of the sale, and that the taxpayer elects to
13 have the tax on gross income computed the
14 same as upon a sale to the state government.

- 15 (D) A person who, as a business or as a part of a
16 business in which the person is engaged, erects,
17 constructs, or improves any building or structure,
18 of any kind or description, or makes, constructs,
19 or improves any road, street, sidewalk, sewer, or
20 water system, or other improvements on land held
21 by the person (whether held as a leasehold, fee
22 simple, or otherwise), upon the sale or other

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1 disposition of the land or improvements, even if
2 the work was not done pursuant to a contract,
3 shall be liable to the same tax as if engaged in
4 the business of contracting, unless the person
5 shows that at the time the person was engaged in
6 making the improvements the person intended, and
7 for the period of at least one year after
8 completion of the building, structure, or other
9 improvements the person continued to intend to
10 hold and not sell or otherwise dispose of the land
11 or improvements. The tax in respect of the
12 improvements shall be measured by the amount of
13 the proceeds of the sale or other disposition that
14 is attributable to the erection, construction, or
15 improvement of such building or structure, or the
16 making, constructing, or improving of the road,
17 street, sidewalk, sewer, or water system, or other
18 improvements. The measure of tax in respect of
19 the improvements shall not exceed the amount which
20 would have been taxable had the work been
21 performed by another, subject as in other cases to
22 the deductions allowed by subparagraph (B). Upon

1 the election of the taxpayer, this paragraph may
2 be applied notwithstanding that the improvements
3 were not made by the taxpayer, or were not made as
4 a business or as a part of a business, or were
5 made with the intention of holding the same.

6 However, this paragraph shall not apply in respect
7 of any proceeds that constitute or are in the
8 nature of rent; all such gross income shall be
9 taxable under paragraph (9); provided that insofar
10 as the business of renting or leasing real
11 property under a lease is taxed under section 237-
12 16.5, the tax shall be levied by section 237-16.5.

13 (4) Tax upon theaters, amusements, radio broadcasting
14 stations, etc.

15 (A) Upon every person engaging or continuing within
16 the State in the business of operating a theater,
17 opera house, moving picture show, vaudeville,
18 amusement park, dance hall, skating rink, radio
19 broadcasting station, or any other place at which
20 amusements are offered to the public, the tax
21 shall be equal to four per cent of the gross
22 income of the business, and in the case of a sale

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1 of an amusement at wholesale under section 237-
2 4(a)(13), the tax shall be subject to section 237-
3 13.3.

4 (B) The department may require that the person
5 rendering an amusement at wholesale take from the
6 licensed seller a certificate, in a form
7 prescribed by the department, certifying that the
8 sale is a sale at wholesale; provided that:

9 (i) Any licensed seller who furnishes a
10 certificate shall be obligated to pay to the
11 person rendering the amusement, upon demand,
12 the amount of additional tax that is imposed
13 upon the seller whenever the sale is not at
14 wholesale; and

15 (ii) The absence of a certificate in itself shall
16 give rise to the presumption that the sale is
17 not at wholesale unless the person rendering
18 the sale is exclusively rendering the
19 amusement at wholesale.

20 (5) Tax upon sales representatives, etc. Upon every person
21 classified as a representative or purchasing agent
22 under section 237-1, engaging or continuing within the

1 State in the business of performing services for
2 another, other than as an employee, there is likewise
3 hereby levied and shall be assessed and collected a tax
4 equal to four per cent of the commissions and other
5 compensation attributable to the services so rendered
6 by the person.

7 (6) Tax on service business.

8 (A) Upon every person engaging or continuing within
9 the State in any service business or calling
10 including professional services not otherwise
11 specifically taxed under this chapter, there is
12 likewise hereby levied and shall be assessed and
13 collected a tax equal to four per cent of the
14 gross income of the business, and in the case of a
15 wholesaler under section 237-4(a)(10), the tax
16 shall be equal to one-half of one per cent of the
17 gross income of the business. Notwithstanding the
18 foregoing, a wholesaler under section 237-4(a)(10)
19 shall be subject to section 237-13.3.

20 (B) The department may require that the person
21 rendering a service at wholesale take from the
22 licensed seller a certificate, in a form

1 prescribed by the department, certifying that the
2 sale is a sale at wholesale; provided that:

3 (i) Any licensed seller who furnishes a
4 certificate shall be obligated to pay to the
5 person rendering the service, upon demand,
6 the amount of additional tax that is imposed
7 upon the seller whenever the sale is not at
8 wholesale; and

9 (ii) The absence of a certificate in itself shall
10 give rise to the presumption that the sale is
11 not at wholesale unless the person rendering
12 the sale is exclusively rendering services at
13 wholesale.

14 (C) Where any person engaging or continuing within the
15 State in any service business or calling renders
16 those services upon the order of or at the request
17 of another taxpayer who is engaged in the service
18 business and who, in fact, acts as or acts in the
19 nature of an intermediary between the person
20 rendering those services and the ultimate
21 recipient of the benefits of those services, so
22 much of the gross income as is received by the

1 person rendering the services shall be subjected
2 to the tax at the rate of one-half of one per cent
3 and all of the gross income received by the
4 intermediary from the principal shall be subjected
5 to a tax at the rate of four per cent. Where the
6 taxpayer is subject to both this subparagraph and
7 to the lowest tax rate under subparagraph (A), the
8 taxpayer shall be taxed under this subparagraph.
9 This subparagraph shall be repealed on January 1,
10 2006.

11 (D) Where any person is engaged in the business of
12 selling interstate or foreign common carrier
13 telecommunication services within and without the
14 State, other than as a home service provider, the
15 tax shall be imposed on that portion of gross
16 income received by a person from service which is
17 originated or terminated in this State and is
18 charged to a telephone number, customer, or
19 account in this State notwithstanding any other
20 state law (except for the exemption under section
21 237-23(a)(1)) to the contrary. If, under the
22 Constitution and laws of the United States, the

1 entire gross income as determined under this
2 paragraph of a business selling interstate or
3 foreign common carrier telecommunication services
4 cannot be included in the measure of the tax, the
5 gross income shall be apportioned as provided in
6 section 237-21; provided that the apportionment
7 factor and formula shall be the same for all
8 persons providing those services in the State.

9 (E) Where any person is engaged in the business of a
10 home service provider, the tax shall be imposed on
11 the gross income received or derived from
12 providing interstate or foreign mobile
13 telecommunications services to a customer with a
14 place of primary use in this State when such
15 services originate in one state and terminate in
16 another state, territory, or foreign country;
17 provided that all charges for mobile
18 telecommunications services which are billed by or
19 for the home service provider are deemed to be
20 provided by the home service provider at the
21 customer's place of primary use, regardless of
22 where the mobile telecommunications originate,

1 terminate, or pass through; provided further that
2 the income from charges specifically derived from
3 interstate or foreign mobile telecommunications
4 services, as determined by books and records that
5 are kept in the regular course of business by the
6 home service provider in accordance with section
7 239-24, shall be apportioned under any
8 apportionment factor or formula adopted under
9 section 237-13(6)(D). Gross income shall not
10 include:

- 11 (i) Gross receipts from mobile telecommunications
12 services provided to a customer with a place
13 of primary use outside this State;
- 14 (ii) Gross receipts from mobile telecommunications
15 services that are subject to the tax imposed
16 by chapter 239;
- 17 (iii) Gross receipts from mobile telecommunications
18 services taxed under section 237-13.8; and
- 19 (iv) Gross receipts of a home service provider
20 acting as a serving carrier providing mobile
21 telecommunications services to another home
22 service provider's customer.

1 For the purposes of this paragraph, "charges for
2 mobile telecommunications services", "customer",
3 "home service provider", "mobile
4 telecommunications services", "place of primary
5 use", and "serving carrier" have the same meaning
6 as in section 239-22.

7 (7) Tax on insurance producers. Upon every person engaged
8 as a licensed producer pursuant to chapter 431, there
9 is hereby levied and shall be assessed and collected a
10 tax equal to 0.15 per cent of the commissions due to
11 that activity.

12 (8) Tax on receipts of sugar benefit payments. Upon the
13 amounts received from the United States government by
14 any producer of sugar (or the producer's legal
15 representative or heirs), as defined under and by
16 virtue of the Sugar Act of 1948, as amended, or other
17 Acts of the Congress of the United States relating
18 thereto, there is hereby levied a tax of one-half of
19 one per cent of the gross amount received; provided
20 that the tax levied hereunder on any amount so received
21 and actually disbursed to another by a producer in the
22 form of a benefit payment shall be paid by the person

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1 or persons to whom the amount is actually disbursed,
2 and the producer actually making a benefit payment to
3 another shall be entitled to claim on the producer's
4 return a deduction from the gross amount taxable
5 hereunder in the sum of the amount so disbursed. The
6 amounts taxed under this paragraph shall not be taxable
7 under any other paragraph, subsection, or section of
8 this chapter.

9 (9) Tax on other business. Upon every person engaging or
10 continuing within the State in any business, trade,
11 activity, occupation, or calling not included in the
12 preceding paragraphs or any other provisions of this
13 chapter, there is likewise hereby levied and shall be
14 assessed and collected, a tax equal to four per cent of
15 the gross income thereof. In addition, the rate
16 prescribed by this paragraph shall apply to a business
17 taxable under one or more of the preceding paragraphs
18 or other provisions of this chapter, as to any gross
19 income thereof not taxed thereunder as gross income or
20 gross proceeds of sales or by taxing an equivalent
21 value of products, unless specifically exempted."

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1 SECTION 11. Section 237-28.1, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "[~~f~~]**§237-28.1**[~~]~~ **Exemption of certain shipbuilding and ship**
4 **repair business.** There shall be exempted from, and excluded from
5 the measure of, the taxes imposed by this chapter all of the
6 gross proceeds arising from shipbuilding and ship repairs
7 rendered to surface and subsurface vessels federally owned or
8 engaged in interstate or international trade."

9 SECTION 12. Section 286-46, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§286-46 Tax lien and encumbrance record.** (a) The
12 director of finance shall keep a book or record to be known as
13 the "tax lien and encumbrance record" in which the following
14 information shall be entered:

- 15 (1) Notices of liens for internal revenue taxes payable to
16 the United States and certificates of release thereof;
- 17 (2) Notices of liens [~~or~~], taxes, debts, or judgments
18 payable to the State or county and certificates of
19 release thereof;
- 20 (3) Notices of seizure in accordance with law of any
21 registered motor vehicle upon any writ of attachment,

1 execution, or other process issued under authority of
2 law;

3 (4) Notices of restraining order or other order affecting
4 the registration of any registered motor vehicle;

5 (5) Notice of any proceeding or action affecting the title
6 of a registered motor vehicle or the interest of the
7 owner or legal owner thereof; and

8 (6) Notice of release of any of the foregoing.

9 (b) With the exception of delinquent taxes and penalties
10 imposed by section 249-10, the record shall show the year, month,
11 day, hour, and minute at which the notice has been filed with the
12 director of finance, shall show the nature and kind of lien or
13 encumbrance claimed, the amount of tax or other claim, with
14 interest, penalties, and costs, and shall identify the registered
15 motor vehicles affected by the lien or encumbrance, and shall
16 contain such further information as the director of finance may
17 require. The record shall be a public record and may be arranged
18 in such manner as the director of finance determines.

19 The interest of the owner or the legal owner in the motor
20 vehicle shall not be deemed to be affected until the notice
21 referred to in subsection (a)(1) to (5) has been filed with the
22 director of finance in such form as the director of finance shall

1 prescribe for entry in the tax lien and encumbrance record;
2 provided the director of finance [~~may~~] shall require the payment
3 of delinquent taxes and penalties, debts, or judgments payable to
4 the State or county as a condition precedent to the vehicle's
5 renewal, registration, or transfer of ownership. The director of
6 finance shall charge a fee of \$5 for each entry made in the tax
7 lien and encumbrance record, which shall be deposited in the
8 general fund. Neither the State nor any political subdivision
9 shall be charged a fee for any entry made in the tax lien and
10 encumbrance record.

11 Nothing in this section shall be deemed to alter or amend
12 any statute relating to tax liens or the enforcement thereof."

13 SECTION 13. Section 487J-2, Hawaii Revised Statutes, is
14 amended by amending subsection (b) to read as follows:

15 "(b) Subsection (a) shall not apply to:

16 (1) The inclusion of a social security number in documents
17 that are mailed and:

18 (A) Are specifically requested by the individual
19 identified by the social security number;

20 (B) Required by state or federal law to be on the
21 document to be mailed;

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1 (C) Required as part of an application or enrollment
2 process;

3 (D) Used to establish, amend, or terminate an account,
4 contract, or policy; or

5 (E) Used to confirm the accuracy of the social
6 security number for the purpose of obtaining a
7 credit report pursuant to 15 U.S.C. section
8 1681(b).

9 A social security number that is permitted to be mailed
10 under this paragraph may not be printed, in whole or in
11 part, on a postcard or other mailer not requiring an
12 envelope, or visible on the envelope or without the
13 envelope having been opened;

14 (2) The opening of an account or the provision of or
15 payment for a product or service authorized by an
16 individual;

17 (3) The collection, use, or release of a social security
18 number to investigate or prevent fraud; conduct
19 background checks; conduct social or scientific
20 research; collect a debt; obtain a credit report from
21 or furnish data to a consumer reporting agency pursuant
22 to the Fair Credit Reporting Act, 15 U.S.C. sections

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1 1681 to 1681x, as amended; undertake a permissible
2 purpose enumerated under the federal Gramm Leach Bliley
3 Act, 15 U.S.C. sections 6801 to 6809, as amended;
4 locate an individual who is missing or due a benefit,
5 such as a pension, insurance, or unclaimed property
6 benefit; or locate a lost relative;

7 (4) A business or government agency acting pursuant to a
8 court order, warrant, subpoena, or when otherwise
9 required by law;

10 (5) A business or government agency providing the social
11 security number to a federal, state, or local
12 government entity including a law enforcement agency or
13 court, or their agents or assigns;

14 (6) The collection, use, or release of a social security
15 number in the course of administering a claim, benefit,
16 or procedure relating to an individual's employment,
17 including an individual's termination from employment,
18 retirement from employment, injuries suffered during
19 the course of employment, and other related claims,
20 benefits, or procedures;

21 (7) The collection, use, or release of a social security
22 number as required by state or federal law;

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- 1 (8) The sharing of the social security number by business
2 affiliates;
- 3 (9) The use of a social security number for internal
4 verification or administrative purposes;
- 5 (10) A social security number that has been redacted; [~~and~~]
- 6 (11) Documents or records that are recorded or required to
7 be open to the public pursuant to the constitution or
8 laws of the State or court rule or order[-]; and
- 9 (12) The collection, use, or release of a social security
10 number by the department of taxation in administering
11 its duties under title 14."

12 SECTION 14. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 15. This Act shall take effect upon its approval;
15 provided that:

- 16 (1) Section 2 of this Act shall apply to claims for refund
17 or credit submitted on or after July 1, 2007;
- 18 (2) Section 3, 4, and 5 of this Act shall apply to appeals
19 filed on or after July 1, 2007;
- 20 (3) Sections 7 and 9 of this Act shall apply to taxable
21 years beginning after December 31, 2007;

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1 (4) Sections 10 and 11 of this Act shall apply to gross
2 proceeds or gross income received on or after January
3 1, 2009;

4 (5) The amendments made to section 235-20.5, Hawaii
5 Revised Statutes, by this Act, shall not be repealed
6 when section 235.20.5, Hawaii Revised Statutes, is
7 reenacted on January 1, 2011, pursuant to Act 206,
8 Session Laws of Hawaii 2007.

9
10 INTRODUCED BY: Calvin M. King

11 BY REQUEST

JAN 22 2008

Report Title:

Tax Administration; Technical Corrections 2008

Description:

Establishes a twenty per cent penalty for erroneous refund or credit claims. Clarifies that information discussed in a public board of review hearing is public information. Provides authority for taxpayer and the department of taxation to redact parts of a social security number in tax returns filed with the tax appeal court. Amends conformity law to allow discretion in submitting a digest to the legislature and requires testimony by the department of taxation. Makes technical corrections to conform Hawaii tax law to the internal revenue code for purposes of the "Kiddie Tax." Clarifies the uses of funds available in the tax administration special fund. Extends the capital goods excise tax credit to include canned computer software. Clarifies the general excise tax wholesale rate for sales of tangible personal property. Clarifies that the general excise tax exemption for building and repair of a surface vessel applies to subsurface vessels. Clarifies tax lien recording requirements. Adds an exemption for the proper use of social security numbers for tax administration.

JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO REVENUE
AUTHORITIES ADMINISTERED BY THE GOVERNMENT.

PURPOSE: To provide various technical amendments to Hawaii Revised Statutes (HRS), in order to assist the Department of Taxation with administration of Hawaii's taxes and other revenue authorities.

MEANS: Add a new section to chapter 231, Hawaii Revised Statutes (HRS), and amend sections 232-7(b), 232-16, 232-18, 235-2.5(c), 235-7.5, 235-20.5, 235-110.7(a) and (e), 237-13, 237-28.1, 286-46, and 487J-2(b), HRS.

JUSTIFICATION: The purpose of this legislation is to make various technical corrections to provisions in the HRS that relate to the Department of Taxation's ability to administer Hawaii taxes.

A. ERRONEOUS REFUND CLAIMS

Congress recently amended the Internal Revenue Code to allow for a twenty percent penalty on any excessive refund claims. With certain of the tax incentives provided in Title 14, HRS, providing the Department of Taxation with the ability to assess a penalty for refund or credit claims where a taxpayer's claim lacks a reasonable basis will assist with the administration of Hawaii's taxes by providing a deterrent mechanism, which presently does not exist.

B. PUBLIC BOARD OF REVIEW INFORMATION

Current law is ambiguous as to whether certain information discussed at a Taxation Board of Review hearing is public and able to be disseminated. Chapter 232, HRS, is clear that a Board of Review hearing is a

public meeting. However, other conflicting confidentiality laws preclude the Department of Taxation from discussing the taxpayer's identity or the specific legal arguments presented to the Board of Review. The dilemma arises that if a person was not present at the hearing, the Department of Taxation cannot disclose appeal briefs or taxpayer identity. However, if the same person were at the hearing, the person would know the taxpayer's identity and other material information. This bill clarifies what information is public when discussed at a Board of Review hearing.

C. SOCIAL SECURITY NUMBERS ON APPEAL DOCUMENTS

With the onset of identity theft, administration of tax appeals should likewise conform to protection such sensitive data. Currently, tax appeals require taxpayers to submit a copy of the tax return(s) in dispute in the appeal. Tax returns routinely contain sensitive data, including social security numbers of individuals. This bill authorizes individuals and the department of taxation to redact all but the last four digits of their social security number on any filed tax returns with the Tax Appeal Court.

D. CONFORMITY DIGEST

Current law requires the Department of Taxation to submit a statutory digest summarizing all tax laws passed by Congress in the prior calendar year early in the legislative session. In recent years, the political makeup of Congress has been such that any tax amendments to continue common tax provisions are passed in the waning days of the calendar year. The congressional digest of federal tax laws is extremely complicated and time consuming, taking months to complete. It is not uncommon for Department of Taxation staff to digest

nearly thousands of sections of congressional law. In order to maximize resources and minimize delay to the legislature, this bill amends the law to allow discretion in whether a digest is submitted to the Legislature. However, the bill also amends the law to require the Department of Taxation to fully apprise the Legislature on the conformity measure in summary form by providing explanations, testimony, and revenue impact information.

E. "KIDDIE TAX" AMENDMENTS

In its conformity provisions, Hawaii does not expressly conform to the "Kiddie Tax" assessed by the Internal Revenue Code. However, Hawaii has adopted its own "Kiddie Tax" at section 235-7.5, HRS. In 2006, Congress made various amendments to the "Kiddie Tax" contained in the Internal Revenue Code. This bill makes similar conforming amendments to the changes made by Congress to ensure consistency in the application and assessment of these similar taxes.

F. TAX ADMINISTRATION SPECIAL FUND

Act 206, Session Laws of Hawaii 2007, amended the Tax Administration Special Fund to allow use of the funds for the administration of credits under section 235-110.9, HRS. The Department of Taxation understood the intent of this amendment was to allow use of the funds for administration of other high tech credits, including the refundable credit for research activities under section 235-110.91, HRS. This bill clarifies that the tax administration special fund may be used for administering both high technology tax credits.

G. CANNED SOFTWARE ELIGIBILITY FOR THE CAPITAL GOOD EXCISE TAX CREDIT

Hawaii's capital goods excise tax credit allows a credit equal to the general excise tax paid on depreciable tangible personal property. The credit defines depreciable tangible personal property as of the Internal Revenue Code of 1954, as amended in 1984. Canned computer software was considered depreciable tangible personal property in the Internal Revenue Code of 1986. This bill amends the definition of depreciable tangible personal property to allow for canned computer software to qualify for the capital goods excise tax credit.

H. WHOLESALE GENERAL EXCISE TAX RATE CORRECTION

Current law does not have a corresponding wholesale general excise tax rate of one-half of one per cent for the sales of tangible personal property. This bill provides a conforming amendment to allow for a wholesale general excise tax rate for sales of tangible personal property to conform this provision to other provisions allowing the same.

I. VESSEL EXEMPTION

There currently exists an exemption from the general excise tax for the repair of surface vessels owned by the federal government or for use out-of-state. This bill amends the general excise to make an amendment to clarify that repair of subsurface vessels is likewise included in this exemption.

J. TAX LIEN RECORDING

Encumbrances on real property and motor vehicles are an effective mechanism to significantly increase the likelihood of recovering outstanding tax and other debts. This bill clarifies that debts and judgments owed the state or counties are valid claims for purposes of recordation on the tax lien

encumbrance record. This bill also requires the county directors of finance to require payment of such tax or other debts owed as a condition of removing a tax lien or encumbrance.

K. SOCIAL SECURITY NUMBER USE; CHAPTER 487J, HRS

Chapter 487J, HRS, was enacted in 2006 to limit the use of social security numbers by businesses and government. The Department of Taxation's tax administration processes and procedures rely heavily on the use of the social security number to ensure identification of a taxpayer. This bill makes clarifying amendments to chapter 487J, HRS, that allow the Department of Taxation to utilize social security numbers in the administration of Hawaii taxes.

Impact on the public: Conformity to amendments to the Internal Revenue Code will minimize the burden of taxpayers to comply with the requirements of Hawaii's income tax law. Various technical amendments clarify the application of Hawaii law to the administration of Hawaii taxes. Taxpayers will qualify for the capital good excise tax credit for computer software.

Impact on the department and other agencies: Conforming Hawaii's income tax law to that of the Internal Revenue Code will increase consistency between the two jurisdictions. Minimizing the administrative burden on the Department of Taxation will greatly assist with the administration of Hawaii taxes.

GENERAL FUND: \$1,200,000.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: TAX 100.

OTHER AFFECTED
AGENCIES:

None.

EFFECTIVE DATE:

Upon approval, with various provisos.