

# S.B. NO. 1504

JAN 22 2007

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## A BILL FOR AN ACT

RELATING TO ELECTRONIC FILING OF TAX RETURNS.

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

1           SECTION 1. With the advent of increased computer use  
2 personally and in daily business operations, electronic and  
3 computer-based interactions with government are ever rising.

4           As a government agency, the department of taxation  
5 interacts with nearly every person in Hawaii on a regular,  
6 systematic, and in-depth basis. The department of taxation also  
7 regularly interacts with nonresident taxpayers and mainland-  
8 based businesses that routinely file tax information with the  
9 department.

10           With the increase in out-of-state interaction with  
11 taxpayers and the increase in use of electronic means of filing  
12 tax information, the legislature in 1997 made electronic filing  
13 an acceptable means of carrying out a taxpayer's obligations  
14 under the law.

15           Since this law was enacted, the ability to interact  
16 electronically has grown considerably. This growth is even  
17 truer for businesses where almost every business has a computer  
18 and access to the internet.

1       The purpose of this Act is to provide the department of  
2 taxation with the authority to require by rule, electronic  
3 filing of certain tax returns. This Act is a natural  
4 progression of how a majority, if not all, of tax filings will  
5 be made in the next decade and beyond. To assure that taxpayers  
6 are provided with sufficient notice and an opportunity to  
7 comment, this Act requires compliance with chapter 91, Hawaii  
8 Revised Statutes.

9       The legislature, which is charged with the responsibility  
10 of overseeing the effectiveness of tax incentives and the  
11 efficacy of the tax system as a whole, can be provided more  
12 specific data on Hawaii taxes if the tax data were captured  
13 electronically.

14       Finally, the legislature finds that there are certain tax  
15 returns, such as fuel tax returns, tobacco tax returns, and  
16 other specific tax credits, that impact a very small number of  
17 taxpayers, all of whom likely have computer access. Allowing  
18 the department of taxation to require this small population of  
19 specific taxpayers to e-file tax returns will not adversely  
20 impact such taxpayers. Concomitantly, taxpayers will experience  
21 a commensurate decrease in the time it takes to process a  
22 return, including the processing of a tax refund.

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1 SECTION 2. Section 231-8.5, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[~~+~~]~~§~~231-8.5[~~+~~] Electronic filing of tax returns. The  
4 department may allow or, by rule adopted pursuant to chapter 91,  
5 require filing by electronic, telephonic, or optical means of  
6 any tax return, application, report, or other document required  
7 under the provisions of title 14 administered by the department.  
8 The date of filing shall be the date the tax return,  
9 application, report, or other document is transmitted to the  
10 department in a form and manner prescribed by departmental rules  
11 adopted pursuant to chapter 91. The department may determine  
12 alternative methods for the signing, subscribing, or verifying  
13 of a tax return, application, report, or other document that  
14 shall have the same validity and consequences as the actual  
15 signing by the taxpayer. A filing under this section shall be  
16 treated in the same manner as a filing subject to the penalties  
17 under section 231-39."

18 SECTION 3. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.

20 SECTION 4. This Act shall take effect upon its approval.

21 INTRODUCED BY: \_\_\_\_\_

22 BY REQUEST

JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO ELECTRONIC FILING OF TAX RETURNS.

PURPOSE: Provide the Department of Taxation with the authority to require by rule, the electronic filing of tax returns.

MEANS: Amend section 231-8.5, Hawaii Revised Statutes.

JUSTIFICATION: With the advent of increased computer use personally and in daily business operations, electronic and computer-based interactions with government are rising.

As a government agency, the Department of Taxation interacts with nearly every person in Hawaii on a regular basis. The Department of Taxation regularly interacts with nonresident taxpayers that routinely file tax information with the department.

With the increase in out-of-state interaction with taxpayers and the increase in use of electronic means of filing tax information, the legislature in 1997 made electronic filing an acceptable means of carrying out a taxpayer's obligations under the law.

Since this law was enacted, the ability to interact electronically has grown considerably.

The purpose of this Act is to provide the Department of Taxation with the authority to require by rule electronic filing of certain tax returns. This Act is a natural progression of how a majority--if not all--

tax filings will be made in the next decade and beyond. To assure that taxpayers are provided with sufficient notice and an opportunity to comment, this Act requires compliance with chapter 91, Hawaii Revised Statutes.

With electronic filing required, taxpayers will also experience a commensurate decrease in the time it takes to process a return, including any tax refund.

Impact on the public:

Taxpayers required to file exclusively by electronic means will therefore be unable to file paper returns. However, return processing will be commensurately more efficient.

Impact on the department and other agencies:

Requiring certain taxpayers to file by electronic means will substantially reduce the Department of Taxation's workload of processing paper returns.

GENERAL FUND:	None.
OTHER FUNDS:	None.
PPBS PROGRAM DESIGNATION:	TAX 100.
OTHER AFFECTED AGENCIES:	None.
EFFECTIVE DATE:	Upon approval.