
A BILL FOR AN ACT

RELATING TO TAX SYSTEMS.

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

1 **PART I**

2 SECTION 1. The purpose of this Act is to provide revenue
3 generating initiatives that will be benefits-funded, meaning the
4 vendor will only be paid when measurable increases in revenues
5 resulting from the initiatives are collected by the State. The
6 revenues will be used by the department of taxation to enhance
7 its computer system, called the integrated tax information
8 management system, and to streamline related operational
9 procedures.

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

13 **"§231- Integrated tax services and management special**
14 **fund.** (a) There is established in the state treasury the
15 integrated tax services and management special fund.

16 (b) Notwithstanding any other law to the contrary, the
17 source of funding of any appropriations to the integrated tax



1 services and management special fund for the purposes of funding
2 initiatives under subsection (c) shall come from the tax
3 revenues collected pursuant to chapters 235, 237, and 238.

4 (c) Moneys in the special fund may be expended upon
5 legislative appropriation by the department to pay for the
6 integrated tax services and management systems performance-based
7 contracts and administrative and operating expenses related to
8 the integrated tax services and management systems post-
9 implementation revenue-generating initiatives; provided that the
10 department shall not hire more than full time equivalent
11 positions to carry out the department's responsibilities under
12 this section.

13 (d) The expenditure ceiling for the integrated tax
14 services and management special fund shall be \$. Any
15 moneys remaining in the fund at the end of each fiscal year that
16 are in excess of \$ shall be transferred to the credit
17 of the general fund."

18 SECTION 3. Section 36-27, Hawaii Revised Statutes, is
19 amended to read as follows:

20 **"§36-27 Transfers from special funds for central service**
21 **expenses.** Except as provided in this section, and
22 notwithstanding any other law to the contrary, from time to



1 time, the director of finance, for the purpose of defraying the
2 prorated estimate of central service expenses of government in
3 relation to all special funds, except the:

- 4 (1) Special out-of-school time instructional program fund
5 under section 302A-1310;
- 6 (2) School cafeteria special funds of the department of
7 education;
- 8 (3) Special funds of the University of Hawaii;
- 9 (4) State educational facilities improvement special fund;
- 10 (5) Convention center enterprise special fund under
11 section 201B-8;
- 12 (6) Special funds established by section 206E-6;
- 13 (7) Housing loan program revenue bond special fund;
- 14 (8) Housing project bond special fund;
- 15 (9) Aloha Tower fund created by section 206J-17;
- 16 (10) Funds of the employees' retirement system created by
17 section 88-109;
- 18 (11) Unemployment compensation fund established under
19 section 383-121;
- 20 (12) Hawaii hurricane relief fund established under chapter
21 431P;
- 22 (13) Hawaii health systems corporation special funds;



- 1 (14) Tourism special fund established under section
2 201B-11;
- 3 (15) Universal service fund established under chapter 269;
- 4 (16) Integrated tax [~~information~~] services and management
5 [~~systems~~] special fund under section [~~231-3.2,~~]
6 231- ;
- 7 (17) Emergency and budget reserve fund under section
8 328L-3;
- 9 (18) Public schools special fees and charges fund under
10 section 302A-1130(f);
- 11 (19) Sport fish special fund under section 187A-9.5;
- 12 (20) Neurotrauma special fund under section 321H-4;
- 13 (21) Deposit beverage container deposit special fund under
14 section 342G-104;
- 15 (22) Glass advance disposal fee special fund established by
16 section 342G-82;
- 17 (23) Center for nursing special fund under section
18 [~~+~~]304A-2163[~~+~~];
- 19 (24) Passenger facility charge special fund established by
20 section 261-5.5;
- 21 (25) Solicitation of funds for charitable purposes special
22 fund established by section 467B-15;



1 (26) Land conservation fund established by section 173A-5;

2 (27) Court interpreting services revolving fund under
3 section 607-1.5;

4 (28) Trauma system special fund under section 321-22.5;

5 (29) Hawaii cancer research special fund;

6 (30) Community health centers special fund; and

7 (31) Emergency medical services special fund[+];

8 shall deduct five per cent of all receipts of all other special
9 funds, which deduction shall be transferred to the general fund
10 of the State and become general realizations of the State. All
11 officers of the State and other persons having power to allocate
12 or disburse any special funds shall cooperate with the director
13 in effecting these transfers. To determine the proper revenue
14 base upon which the central service assessment is to be
15 calculated, the director shall adopt rules pursuant to chapter
16 91 for the purpose of suspending or limiting the application of
17 the central service assessment of any fund. No later than
18 twenty days prior to the convening of each regular session of
19 the legislature, the director shall report all central service
20 assessments made during the preceding fiscal year.[+]"

21 SECTION 4. Section 36-30, Hawaii Revised Statutes, is
22 amended by amending subsection (a) to read as follows:



- 1 "(a) Each special fund, except the:
- 2 (1) Transportation use special fund established by section
- 3 261D-1;
- 4 (2) Special out-of-school time instructional program fund
- 5 under section 302A-1310;
- 6 (3) School cafeteria special funds of the department of
- 7 education;
- 8 (4) Special funds of the University of Hawaii;
- 9 (5) State educational facilities improvement special fund;
- 10 (6) Special funds established by section 206E-6;
- 11 (7) Aloha Tower fund created by section 206J-17;
- 12 (8) Funds of the employees' retirement system created by
- 13 section 88-109;
- 14 (9) Unemployment compensation fund established under
- 15 section 383-121;
- 16 (10) Hawaii hurricane relief fund established under chapter
- 17 431P;
- 18 (11) Convention center enterprise special fund established
- 19 under section 201B-8;
- 20 (12) Hawaii health systems corporation special funds;
- 21 (13) Tourism special fund established under section
- 22 201B-11;



- 1 (14) Universal service fund established under chapter 269;
- 2 (15) Integrated tax [~~information~~] services and management
- 3 [~~systems~~] special fund under section [~~231-3.2,~~]
- 4 231- ;
- 5 (16) Emergency and budget reserve fund under section
- 6 328L-3;
- 7 (17) Public schools special fees and charges fund under
- 8 section 302A-1130(f);
- 9 (18) Sport fish special fund under section 187A-9.5;
- 10 (19) Neurotrauma special fund under section 321H-4;
- 11 (20) Center for nursing special fund under section
- 12 [+]304A-2163[+];
- 13 (21) Passenger facility charge special fund established by
- 14 section 261-5.5;
- 15 (22) Court interpreting services revolving fund under
- 16 section 607-1.5;
- 17 (23) Trauma system special fund under section 321-22.5;
- 18 (24) Hawaii cancer research special fund;
- 19 (25) Community health centers special fund; and
- 20 (26) Emergency medical services special fund[+];



1 shall be responsible for its pro rata share of the
2 administrative expenses incurred by the department responsible
3 for the operations supported by the special fund concerned. [†]"

4 SECTION 5. Section 235-119, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§235-119 Taxes, state realizations.** [~~All~~] (a) Except as
7 provided in subsection (b), all income taxes shall be for the
8 use of the State and shall be paid into the state treasury at
9 such times as the director of finance shall direct.

10 (b) The director of taxation shall pay the income taxes
11 into the state treasury as a state realization; provided that a
12 sum, not to exceed the amount necessary to meet the obligations
13 of integrated tax services and management systems
14 performance-based contracts, may be retained and deposited into
15 the state treasury to the credit of the integrated tax services
16 and management special fund. The sum retained by the director
17 of taxation for deposit into the integrated tax services and
18 management special fund shall be limited to amounts appropriated
19 by the legislature."

20 SECTION 6. Section 237-31, Hawaii Revised Statutes, is
21 amended to read as follows:



1 **"§237-31 Remittances.** All remittances of taxes imposed by
2 this chapter shall be made by money, bank draft, check,
3 cashier's check, money order, or certificate of deposit to the
4 office of the department of taxation to which the return was
5 transmitted. The department shall issue its receipts therefor
6 to the taxpayer and shall pay the moneys into the state treasury
7 as a state realization, to be kept and accounted for as provided
8 by law; provided that:

9 (1) The sum from all general excise tax revenues realized
10 by the State that represents the difference between
11 \$90,000,000 and the proceeds from the sale of any
12 general obligation bonds authorized for that fiscal
13 year for the purposes of the state educational
14 facilities improvement special fund shall be deposited
15 in the state treasury in each fiscal year to the
16 credit of the state educational facilities improvement
17 special fund for public school capital improvement
18 program needs; [~~and~~]

19 (2) A sum, not to exceed \$5,000,000, from all general
20 excise tax revenues realized by the State shall be
21 deposited in the state treasury in each fiscal year to



1 the credit of the compound interest bond reserve
2 fund[-]; and
3 (3) A sum, not to exceed the amount necessary to meet the
4 obligations of integrated tax services and management
5 systems performance-based contracts, may be retained
6 and deposited into the state treasury to the credit of
7 the integrated tax services and management special
8 fund. The sum retained by the director of taxation
9 for deposit into the integrated tax services and
10 management special fund shall be limited to amounts
11 appropriated by the legislature."

12 SECTION 7. Section 238-14, Hawaii Revised Statutes, is
13 amended to read as follows:

14 **"§238-14 Taxes state realizations.** ~~[All]~~ (a) Except as
15 provided in subsection (b), all taxes collected under this
16 chapter shall be state realizations.

17 (b) The director of taxation shall pay the use taxes into
18 the state treasury as a state realization; provided that a sum,
19 not to exceed the amount necessary to meet the obligations of
20 integrated tax services and management systems performance-based
21 contracts, may be retained and deposited into the state treasury
22 to the credit of the integrated tax services and management



1 special fund. The sum retained by the director of taxation for
2 deposit into the integrated tax services and management special

3 fund shall be limited to amounts appropriated by the

4 legislature."

5 SECTION 8. Section 231-3.2, Hawaii Revised Statutes, is

6 repealed.

7 ~~["§231-3.2 Integrated tax information management systems~~

8 ~~special fund.~~ (a) There is established in the state treasury

9 the integrated tax information management systems special fund

10 into which shall be deposited general excise tax revenues as

11 provided by section 237-31. The director of taxation may retain

12 and deposit the amounts necessary to meet the obligations of the

13 integrated tax information management systems performance based

14 contract. The amounts transferred by the director of taxation

15 to the integrated tax information management systems special

16 fund for a fiscal year shall be limited to the amounts

17 appropriated by the legislature.

18 (b) Moneys in the fund shall be expended by the department

19 to pay for the integrated tax information management systems

20 performance based contracts authorized by Act 273, Session Laws

21 of Hawaii 1996.



1 ~~(c) The department shall submit an annual report to the~~
2 ~~legislature no later than twenty days prior to the convening of~~
3 ~~each regular session, providing an accounting of the receipts~~
4 ~~of, and expenditures from, the fund.~~

5 ~~(d) This section shall be repealed on July 1, 2005."]~~

6 **PART II**

7 SECTION 9. (a) The department of taxation shall enter
8 into performance-based contracts to enhance or acquire automated
9 tax systems, or both, including computer hardware and software,
10 for the implementation and administration of the city and county
11 of Honolulu surcharge authorized under section 46-16.8, Hawaii
12 Revised Statutes, and adopted by ordinance.

13 (b) For the purposes of this Act:

14 "Performance-based contract" means a contract under which
15 compensation to the vendor shall be computed according to
16 performance standards established by the department of taxation.
17 Any performance-based contract entered into by the department of
18 taxation for the purposes established under subsection (a) shall
19 provide for the payment of fees:

20 (1) Based on a contractually specified amount of the
21 increase in the amount of taxes, interest, and
22 penalties collected and attributable to the



1 implementation of the integrated tax services and
2 management system post-implementation revenue-
3 generating initiatives; or

4 (2) On a fixed-fee contract basis to be paid from the
5 increase in the amount of taxes, interest, and
6 penalties collected and attributable to the
7 implementation of integrated tax services and
8 management system post-implementation revenue-
9 generating initiatives.

10 (c) The State shall receive a permanent license to use the
11 enhanced or automated tax systems upon full payment to the
12 vendor.

13 (d) Notwithstanding any other law to the contrary, the
14 department of taxation shall award the performance-based
15 contract pursuant to the requirements of chapter 103D, Hawaii
16 Revised Statutes.

17 SECTION 10. The director of taxation shall report to the
18 legislature, no later than twenty days prior to the convening of
19 every regular session, beginning with the 2008 regular session,
20 with respect to the status of the performance-based contract and
21 shall provide an accounting of all moneys appropriated. The
22 report shall include:



- 1 (1) Detailed information on the costs and benefits of
2 implementing the integrated tax services and
3 management system post-implementation revenue-
4 generating initiatives;
- 5 (2) The amount of increased tax, interest, and penalties
6 collected that is attributable to the integrated tax
7 services and management system post-implementation
8 revenue-generating initiatives; and
- 9 (3) The amount paid to the vendor or vendors contracted
10 under section 9 of this Act.

11 The report shall also include any other information from
12 the preceding fiscal year that may assist the legislature in
13 determining the efficacy of a contract executed under this Act,
14 beginning with the fiscal year immediately preceding the fiscal
15 year commencing on the effective date of this Act and continuing
16 until two complete fiscal years have elapsed following the full
17 implementation of the integrated tax services and management
18 system post-implementation revenue-generating initiatives.

19 **PART III**

20 SECTION 11. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 12. This Act shall take effect on July 1, 2035;
2 provided that:

3 (1) Sections 1, 9, and 10 of this Act shall be repealed on
4 June 30, ;

5 (2) Sections 2, 3, 4, 5, 6, 7, and 8 of this Act shall be
6 repealed on December 31, ; provided that sections
7 36-27, 36-30, 235-119, 237-31, and 238-14, Hawaii
8 Revised Statutes, shall be reenacted in the form in
9 which they existed on the day before the effective date
10 of this Act; and

11 (3) Provided further that the amendments to section 237-31,
12 Hawaii Revised Statutes, made in section 6 of this Act,
13 shall not be repealed upon the repeal of Section 2, Act
14 304, Session Laws of Hawaii 2006.



Report Title:

Integrated Tax Services and Management Systems; Special
Fund

Description:

Establishes integrated tax services and management special fund to receive revenues from the integrated tax services and management systems post-implementation revenue-generating initiatives; provides that moneys in the fund will be used to pay for the integrated tax information management systems. (SD2)

