

Honolulu, Hawaii

Ajis, 2007

RE: S.B. No. 1839  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 1839, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAX SYSTEMS,"

begs leave to report as follows:

The purpose of this bill is to improve the Department of Taxation's (DOTAX's) tax collection efforts by:

- (1) Requiring DOTAX to enter into performance-based contracts to enhance or acquire automated tax systems for the implementation of the City and County of Honolulu's county surcharge on the general excise tax (GET) for mass transit;
- (2) Establishing the Integrated Tax Services and Management Special Fund to pay for the performance-based contracts and administrative and operating expenses related to the integrated tax services and management systems performance-based contracts and post-implementation revenue-generating initiatives; and
- (3) Providing funding for the performance-based contracts by allowing amounts retained from income, GET, and use tax collections to be deposited into the Integrated Tax Services and Management Special Fund.



DOTAX supported the intent of this bill. The Tax Foundation of Hawaii submitted comments.

Your Committee has amended this measure by deleting its contents and inserting the provisions of House Bill No. 1412, H.D. 1, a measure that also assists DOTAX in its tax collection efforts.

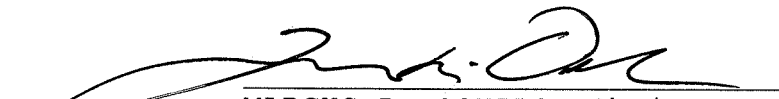
As amended, this bill:

- (1) Establishes the Integrated Tax Information Management Systems Special Fund (Special Fund) to pay for performance-based contracts for the integrated tax information management systems and for administrative and operating expenses related to the integrated tax information management systems revenue-generating initiatives;
- (2) Provides funding for the performance-based contracts by allowing amounts retained from income, GET, and use tax collections to be deposited into the Special Fund;
- (3) Authorizes, instead of requires, DOTAX to enter into performance-based contracts to enhance or acquire automated tax systems;
- (4) Expands the scope of the performance-based contracts to include the implementation and administration of the taxes imposed under Title 14, Hawaii Revised Statutes, which includes, among others, the GET, income tax, use tax, transient accommodations tax, fuel tax, and conveyance tax;
- (5) Appropriates funds to be deposited into the Special Fund and used for its purposes;
- (6) Repeals Act 273, Session Laws of Hawaii 1996, which allows DOTAX to enter into performance-based contracts to acquire automated tax systems for the administration of taxes; and
- (7) Contains an effective date of July 1, 2007.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1839, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1839, S.D. 2, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,



MARCUS R. OSHIRO, Chair



