

Honolulu, Hawaii

July 24, 2008

RE: S.B. No. 711
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 711, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to:

- (1) Establish a ten-year statute of limitations on tax collections; and
- (2) Clarify that the three-year statute of limitations on tax assessments for the general excise tax, use tax, and other period taxes begins running from the filing of each periodic return.

Your Committee distributed a proposed S.B. No. 711, H.D. 2, prior to the public hearing on this measure and requested that testimony be submitted on the proposed S.B. No. 711, H.D. 2.

The Department of Taxation (DOTAX), Horwarth Kam & Company, and a concerned individual supported this bill. The Chamber of Commerce of Hawaii and a concerned individual opposed this measure. The Tax Foundation of Hawaii submitted comments.

Your Committee notes that concerns were brought up during decision-making about privacy issues regarding reporting taxpayers' information to the Legislature. Your Committee urges

SB711 HD2 HSCR FIN HMS 2008-3647



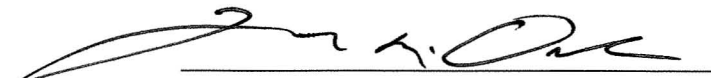
that due diligence should always be performed by DOTAX to ensure that vital personal information is not inadvertently disclosed.

Your Committee has amended this bill by deleting its contents and inserting the substance of the proposed S.B. No. 711, H.D. 2, with additional changes. As amended, this bill, among other things:

- (1) Authorizes DOTAX to study and evaluate the economic impact of existing and proposed state tax incentives;
- (2) Authorizes DOTAX to collect and evaluate information from January 1, 2002, as part of its annual survey of businesses that have benefited from various high technology tax incentives;
- (3) Requires DOTAX to report annually to the Legislature, until 2011, on its findings of the economic impact of the tax incentives; and
- (4) Appropriates \$60,000 out of the Tax Administration Special fund to be expended by DOTAX for one full time equivalent economist position.

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. 711, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 711, H.D. 2.

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



MARCUS R. OSHIRO, Chair



