

Honolulu, Hawaii

APR 05 2007

RE: H.B. No. 1034
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committees on Economic Development and Taxation and Ways and Means, to which was referred H.B. No. 1034 entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

beg leave to report as follows:

The purpose of this measure is to require the Department of Taxation to provide the Legislature with certain annual and biennial reports.

Prior to the hearing, your Committees circulated a Proposed H.B. No. 1034, S.D. 1, which deleted the contents of the measure and replaced them with language from S.B. No. 1839, S.D. 2 (Parts I and II), and from S.B. No. 1504, S.D. 2 (Part III).

The purpose of the amended measure is to:

- (1) In Parts I and II, establish the Integrated Tax Services and Management Special Fund to receive revenues from integrated tax services and management systems post-implementation revenue-generating initiatives, and provide that moneys in the fund will be used to pay for the integrated tax services and management systems; and
- (2) In Part III, require that the Department of Taxation, by rules adopted pursuant to chapter 91, Hawaii Revised Statutes, shall require the electronic, telephonic, or optical filing of tax returns under certain conditions, and provides that a service fee shall not be required.



The Department of Taxation and the Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO submitted written testimony in support of the Proposed H.B. No. 1034, S.D. 1. The Tax Foundation of Hawaii submitted comments on the proposed language.

Your Committees have further amended the proposed measure by:

- (1) Clarifying that the Integrated Tax Services and Management Special Fund will improve customer services, improve taxpayer fairness, and increase cost savings, with an emphasis on electronic filing;
- (2) Making conforming amendments to section 36-24 and section 36-30, Hawaii Revised Statutes, to reflect the changes made to these sections by H.B. No. 1108, H.D. 1 (the annual statutory revision bill), which is awaiting the Governor's signature;
- (3) Replacing the \$5,000,000 appropriation in sections 12 and 13 with unspecified amounts;
- (4) Requiring the Department of Taxation to repay the general fund for the appropriation to the Integrated Tax Services and Management Special Fund no later than June 30, 2008;
- (5) Clarifying the distinction between mandatory state electronic filing for those businesses required to file electronically by the Internal Revenue Service, and those voluntary electronic filing features being added as part of the integrated tax services and management software upgrades; and
- (6) Adding an appropriation section for the Department of Taxation to pay the eHawaii.gov vendor for the costs of electronic filing that were previously paid by the taxpayer, to be paid out of the Integrated Tax Services and Management Special Fund.

As affirmed by the records of votes of the members of your Committees on Economic Development and Taxation and Ways and Means that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1034, as amended herein, and recommend that it pass Second Reading in the form attached



hereto as H.B. No. 1034, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Taxation and
Ways and Means,



ROSALYN H. BAKER, Chair



CAROL FUKUNAGA, Chair



