

STAND. COM. REP. NO.

475

Honolulu, Hawaii

FEB 16 2007

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

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 1839 entitled:

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

begs leave to report as follows:

The purpose of this measure is to establish an Integrated Tax Services and Management Special Fund to receive revenues from the Integrated Tax Information Management Systems (ITIMS) post-implementation revenue-generating initiatives; provided that moneys in the fund will be used to pay for the Integrated Tax Information Management Systems.

Testimony in support of the intent of this measure was received from the Department of Taxation (Department). The Tax Foundation of Hawaii submitted comments.

Your Committee finds that Act 273, Session Laws of Hawaii 1996 (Act 273), authorized the Department to enter into a performance-based contract to acquire the ITIMS. A performance-based contract is one in which the State is liable to pay the vendor only if the promised "performance" is achieved, and in this case, the "performance" consisted of the State collecting more tax revenue than it would have collected if the vendor's services were not used.

As a result of Act 273, the Department saw an outstanding increase in the performance of Department responsibilities. The initial ITIMS initiatives were certified to have increased

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revenues by more than \$252,000,000 during the five-year project, a three hundred seventy-five per cent return on investment.

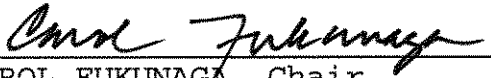
It is the intent of your Committee to support the continuation of ITIMS, particularly with respect to other tax collection efficiencies that can be achieved. Your Committee notes this second phase of ITIMS implementation will afford the Department of Taxation the ability to substantially upgrade its staffing capacity to provide increased customer service benefits.

Your Committee has amended this measure by:

- (1) Deleting the repeal of section 10, which refers to previous ITIMS legislation; and
- (2) Inserting an effective date of July 1, 2035, for the purposes of further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1839, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1839, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,

  
CAROL FUKUNAGA, Chair



The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

|   |                     |                 |          |          |
|---|---------------------|-----------------|----------|----------|
| Bill / Resolution No.:*   | Committee Referral: | Date:           |          |          |
| <i>SB 1839</i>  | <i>EDT, WAM</i>     | <i>2/13/07</i>  |          |          |
| <input type="checkbox"/> The committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____ |                     |                 |          |          |
| The Recommendation is:  |                     |                 |          |          |
| <input type="checkbox"/> Pass, unamended<br>2312  |                     |                 |          |          |
| <input checked="" type="checkbox"/> Pass, with amendments<br>2311   |                     |                 |          |          |
| <input type="checkbox"/> Hold<br>2310   |                     |                 |          |          |
| <input type="checkbox"/> Recommit<br>2313   |                     |                 |          |          |
| Members   | Aye                 | Aye (WR)        | Nay      | Excused  |
| FUKUNAGA, Carol (C)   | ✓                   |                 |          |          |
| ESPERO, Will (VC)   | ✓                   |                 |          |          |
| ENGLISH, J. Kalani  |                     |                 |          | ✓        |
| IGE, David Y.   | ✓                   |                 |          |          |
| SLOM, Sam   |                     |                 | ✓        |          |
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| <b>TOTAL</b>  | <i>3</i>            |                 | <i>1</i> | <i>1</i> |
| Recommendation:   |                     |                 |          |          |
| <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted  |                     |                 |          |          |
| Chair's or Designee's Signature:  |                     |                 |          |          |
| <i>Will Espero</i>  |                     |                 |          |          |
| Distribution:   |                     |                 |          |          |
| Original  | Yellow              | Pink            |          |          |
| File with Committee Report  | Clerk's Office      | Drafting Agency |          |          |

\*Only one measure per Record of Votes