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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING HCR 206/HR 174 REQUESTING THE DEPARTMENT OF TAXATION TO CONDUCT A STUDY ON THE FEASIBILITY OF ESTABLISHING COMPUTER GENERATED AUTO- CALCULATING TAX FORMS.

WRITTEN TESTIMONY ONLY

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: APRIL 9, 2008

TIME: 1:00PM

ROOM: 308

This resolution requests the Department of Taxation (Department) to study the feasibility of instituting computer programmed auto-calculating tax forms that can be accessed online by the taxpaying community.

The Department **recognizes the benefit** of expanding computer-aided tax form applications and **supports the intent** of this resolution.

The Department concurs that, as technology continues to advance, the capabilities of computer-aided applications can enhance administration and compliance efforts of both taxpayers and the Department. So long as the computer generated auto-calculating tax forms are sufficiently reliable to the Department's satisfaction, such forms could increase compliance, lessen the burden on taxpayers, reduce errors, and increase accuracy. However, the Department would also need to investigate whether the service could expose the State to liability or any other potential downsides to performing this service.

Importantly; however, the Department cautions the Legislature that the cost of implementing certain computer-aided tax applications and the quality control associated with ensuring optimal accuracy and compliance of such applications, could be extremely high.

The Department very much appreciates the Legislature's interest in the administration of Hawaii taxes and the Department's tax forms, which contain important information utilized by both taxpayers and the Department.