

STAND. COM. REP. NO.

1153

Honolulu, Hawaii

APR 03 2009

RE: S.R. No. 115
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.R. No. 115 entitled:

"SENATE RESOLUTION REQUESTING THE AUDITOR TO CONDUCT A
MANAGEMENT AUDIT OF THE ENVIRONMENTAL RESPONSE TAX,"

begs leave to report as follows:

The purpose of this measure is to request the Auditor to conduct a management audit of the administration and collection of the environmental response tax by the Department of Taxation.

Testimony in opposition to this measure was submitted by the Department of Taxation. Written testimony presented to your Committee may be reviewed on the Legislature's website.

Your Committee finds that the tax bases for the environmental response tax and the liquid fuel license tax are not necessarily analogous—there are differences between events that "trigger" each tax, exemptions that may apply to only one tax, and differing timing of payments. Nonetheless, your Committee finds that the data signals that there is a possibility the environmental response tax has been over-reported or the liquid fuel license tax has been under-reported. In these difficult economic times, it is important to get a clear and accurate picture of tax revenues due and payable to the State.

Your Committee understands that a management audit of the Department of Taxation's administration and collection of the environmental response tax, as proposed in the measure as

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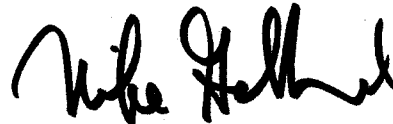
received, is unlikely to provide definitive answers to explain all of the discrepancies. A management audit would provide information regarding how collections are conducted, but not how liquid fuel producers are reporting information to the Department of Taxation, which is the crux of a majority of the discrepancies. This information may only be available from the liquid fuel producers themselves, rather than from the Department of Taxation.

Your Committee has amended this measure by:

- (1) Deleting the request that the Auditor conduct a management audit of the administration and collection of the environmental response tax, and substituting a request that the Department of Taxation conduct audits of those taxpayers that are required to voluntarily report information regarding the environmental response tax and the liquid fuel tax to determine their compliance in reporting such information;
- (2) Amending the title to reflect the measure's amended intent; and
- (3) Making technical, nonsubstantive amendments for style, clarity, and accuracy.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee concurs with the intent and purpose of S.R. No. 115, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.R. No. 115, S.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,



MIKE GABBARD, Chair



