

**TAXBILLSERVICE****LATE**

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**SUBJECT:** INCOME, Direct deposit of refund**BILL NUMBER:** SB 194; HB 733 (Identical)**INTRODUCED BY:** SB by Chun Oakland and 3 Democrats; HB by Mizuno**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to provide that an individual taxpayer who qualifies for an income tax refund and requests a direct deposit of the refund, shall designate the taxpayer's checking or savings accounts at financial institutions for direct deposit of the taxpayer's income tax refund.

A paid income tax preparer shall not designate the paid preparer's personal or business checking or savings account for direct deposit of a client taxpayer's income tax refund. Violations of this provision shall subject to a fine of \$500 for each separate offense and the preparer shall return the full amount of the direct deposit to the taxpayer for whom the return was prepared. Stipulates that all moneys collected for violations of this provision shall be credited to the department of taxation and shall not lapse to the general fund

Amends HRS section 235-98 to add a new paragraph to provide that a paid income tax preparer, with respect to a tax return or claim for refund of tax, shall sign the return or claim for refund after it is completed and before it is presented to the taxpayer for signature. If the initial paid preparer is unavailable, another paid preparer shall review the entire tax return or claim for refund, and then sign the return or claim for refund. If more than one paid preparer is involved in the preparation of the return or claim for refund, the individual paid preparer who has the primary responsibility for the overall substantive accuracy of the preparation of the return or claim for refund shall be considered to be the paid preparer.

A paid income tax preparer of any return or claim for refund who fails to sign a return, unless it is shown that the failure is due to reasonable cause and not due to wilful neglect, shall be fined \$50 for each failure to sign, with a maximum of \$25,000 per person imposed with respect to each calendar year.

**EFFECTIVE DATE:** Tax years beginning after December 31, 2008

**STAFF COMMENTS:** This measure prohibits a paid income tax preparer to direct deposit a client's income tax refund into the paid preparer's personal or business checking or saving account. The measure also establishes provisions relating the signing of tax return by a paid income tax preparer. While the measure establishes penalties for violations of these provisions, the measure provides that the failure of a paid preparer to sign a return shall be subject to a fine of \$50 for each failure to sign with a maximum of \$25,000 per person. It is questionable why there is such a disparity in the dollar amount of the fines.

It should be noted that currently taxpayers are allowed to designate a checking or savings account into which their income tax refund may be deposited, it is questionable why this provision is proposed in this measure.

Digested 2/10/09