
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to address taxation.
2 More specifically, this Act requires the department of taxation
3 to enter into a contract for a taxpayer non-compliance
4 identification program.

5 SECTION 2. Chapter 231, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 "§231- Contract for taxpayer identification non-
9 compliance program. (a) The department of taxation shall enter
10 into a contract with a private person for the establishment and
11 operation of a taxpayer non-compliance identification program.
12 The term of the contract shall be from October 1, 2009, until
13 June 30, 2011.

14 (b) For the purpose of this section, "potentially
15 underreporting taxpayer" means a taxpayer who may have
16 underreported the taxpayer's state tax liability.

17 (c) Under the taxpayer non-compliance identification
18 program:



- 1 (1) The contractor shall identify potentially
2 underreporting taxpayers through high-speed
3 information processing that, at the least:
- 4 (A) Mines various data sources;
5 (B) Uses models predicting non-compliance with state
6 tax statutes and rules; and
7 (C) Establishes audit priorities;
- 8 (2) The contractor shall notify the department of all
9 potentially underreporting taxpayers who have been
10 identified;
- 11 (3) The department shall be responsible for auditing the
12 identified taxpayers' returns and collecting taxes
13 discovered to be due and owing to the State; and
- 14 (4) The department shall pay the contractor a mutually
15 agreed upon percentage of the taxes discovered by the
16 contractor to be due and owing from the identified
17 taxpayers and collected by the department. The
18 department shall not pay any other compensation to the
19 contractor, but may provide to the contractor an
20 advance amount mutually agreed upon by the department
21 and the contractor for start-up expenses; provided
22 that the entire advance shall be repaid to the



1 department by the contractor within the term of the
2 contract.

3 (d) Chapter 103D shall not apply to the contract required
4 by this section. The department shall award the contract in
5 accordance with this section and terms and conditions deemed
6 necessary by the department.

7 (e) When procuring the services of the contractor, the
8 department shall provide a preference to an offeror who has
9 access to the high performance computing center at the Maui high
10 technology park. The legislature finds that the preference is
11 necessary to promote maximum use of the high performance
12 computing center and retention of employment in the State.

13 (f) The department shall provide to the contractor all
14 taxpayer income and general excise and use tax returns. For the
15 purpose of section 235-116, section 237-34(b), and section
16 238-13, the contractor shall be deemed a person duly authorized
17 to examine tax returns in connection with official duties. The
18 contractor shall keep confidential all returns and information
19 on the returns unless the department authorizes disclosure."

20 SECTION 3. New statutory material is underscored.

21 SECTION 4. This Act shall take effect upon its approval.

22



Report Title:

Taxpayer Non-Compliance Identification Program; Establishment

Description:

Requires the department of taxation to enter into a contract for a taxpayer non-compliance identification program to use high speed information processing to identify taxpayers who may have underreported their state tax liability. (HD1)

