

STAND. COM. REP. NO. 373

Honolulu, Hawaii

FEB 20 2009

RE: S.B. No. 973

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

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 973 entitled:

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

begs leave to report as follows:

The purpose of this measure is to deter tax fraud and promote uniformity in the state tax system by conforming Hawaii tax law to the Internal Revenue Code with respect to regulating tax return preparers and adopting other accuracy-related federal provisions.

Your Committee finds tax preparers are not required to audit, examine, or review books, records, or other documents in order to independently verify information provided by taxpayers. If a tax preparer finds this information to be incorrect or incomplete, the tax preparer must make reasonable additional inquiries. This bill enables the Department of Taxation to hold tax preparers accountable for unreasonable positions on tax returns. This accountability is critical in the wake of recent corporate fraud scandals involving large corporations.

Your Committee also finds that greater scrutiny by the State is warranted with respect to regulating abusive tax schemes, erroneous tax refund claims, the understatement or misstatement of tax liability, and the collection and payment of withholding taxes. These tax violations result in not only substantial revenue losses for the State, but also mean a greater tax burden for the taxpaying public.



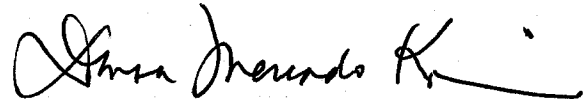
Finally, to enhance the enforcement capabilities of the Department of Taxation, your Committee supports the extension of the statute of limitation on assessments due to substantial omissions and providing the Department with "John Doe Summons" authority to obtain documents from third parties to combat aggressive tax schemes. Your Committee also supports the federal policies that presume signatures on tax documents are authentic and allow the assessment and levy of taxes on fraudulent or non-filers.

Your Committee received testimony in support of this measure from one government agency and one organization. Testimony in opposition to the measure was submitted by two tax practitioners. One organization and a tax practitioner submitted comments on the measure. Based on discussion during the hearing it is the expectation of the Committee that the Department of Taxation will place greater emphasis on drafting and publishing its rules to enhance the clarity of its requirements.

Written testimony presented to the Committee may be reviewed on the Legislature's website.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 973 and recommends that it pass Second Reading and be referred to the Committee on Judiciary and Government Operations.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

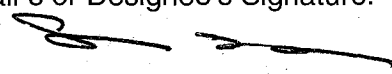


DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

| | | | | |
|--|---------------------|-----------------|---------------------|---------|
| Bill / Resolution No.:* | Committee Referral: | Date: | | |
| SB 973 | WAM, J60 | 02/19/09 | | |
| <input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| The Recommendation is: | | | | |
| <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 | | | | |
| Members | Aye | Aye (WR) | Nay | Excused |
| KIM, Donna Mercado (C) | / | | | |
| TSUTSUI, Shan S. (VC) | / | | | |
| CHUN OAKLAND, Suzanne | / | | | |
| ENGLISH, J. Kalani | | | | / |
| FUKUNAGA, Carol | | | | / |
| GALUTERIA, Brickwood | | | | / |
| HEE, Clayton | | | | / |
| HOOSER, Gary L. | / | | | |
| KIDANI, Michelle N. | / | | | |
| KOKUBUN, Russell S. | / | | | |
| TOKUDA, Jill N. | *ST | | | / |
| HEMMINGS, Fred | / | | | |
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| TOTAL | 7 | 0 | 0 | 5 |
| Recommendation: | | | | |
| <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature: | | | | |
|  | | | | |
| Distribution: | | | | |
| Original | Yellow | Pink | Goldenrod | |
| File with Committee Report | Clerk's Office | Drafting Agency | Committee File Copy | |

*Only one measure per Record of Votes