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**SENATE COMMITTEE ON WAYS AND MEANS
TESTIMONY FOR INFORMATIONAL BRIEFING**

TESTIFIER: STANLEY SHIRAKI, ACTING DIRECTOR OF TAXATION
DATE: JUNE 23, 2010
TIME: 1PM
ROOM: 211

The Department of Taxation (DOTAX) is here to provide information as requested by the Committee on Ways and Means regarding the status of its contracts with CGI Technologies and Solutions, Inc. As requested, the following documents are attached:

1. presentation of the department's outline of the Transition Development document ;
2. a report from the Chief of the Information Technology Services Office on the impacts of the department's transition plan; and
3. the status of the implementation of tax measures enacted to date.

First, we will provide clarification on previous allegations that were made. As discussed at the SWAM hearing on SCR 78 on April 7, 2010, the Delinquent Tax Collection Contract is benefits-funded, meaning the vendor will be paid only when measurable increases in revenues resulting from the initiatives are collected. The State did not incur any upfront cost or risk. CGI absorbed all the associated risks by covering costs for the staffing and expertise to conduct the analysis and specifications development for the system modifications and the actual IT development and upgrades. CGI was paid a proportionate 33-1/3% amount of the new revenues, if and when they were collected. In addition, although DOTAX had initially proposed no cap to the contractors share, CGI proposed that their compensation be capped at \$25M. This dollar cap was included in the final approved contract.

The original Statement of Work 1 (SOW 1) contract was amended to SOW 2 effective June 2009 and was necessary to achieve the success and revenues envisioned for this project. While SOW 2 maintains the original compensation parameters and terms, it benefits DOTAX by providing more flexibility to identify and direct the scope of work. As such, the deliverables set forth in SOW 1 basically became a set of choices with the commitment of ten CGI FTE's that allowed DOTAX to select priorities, set timelines, and fully utilize CGI's expertise in this dynamic tax and economic environment. In addition to selecting revenue-generating initiatives, SOW 2 allows DOTAX to place emphasis on knowledge transfer, training and documentation – all of which will be critical tools for self-reliance after June 2011. SOW 2 also provided that

\$1M of CGI's maximum \$25 million compensation share would be used for the purchase of hardware and software required to support the contract initiatives and upgrade aging and obsolete IT equipment and renewing critical maintenance agreements.

Claims have been made that this contract could have been performed by existing in-house staff or by the addition of departmental position counts for much less than CGI's compensation. DOTAX realized that it did not have sufficient staff or the skills and expertise to plan and implement these initiatives in the given timeframe. It should be noted that the previous ITSO Administrator and senior IT Specialist admitted that the staffing levels and expertise of its then department staff may only be able to maintain the systems that existed at that time.

Through the partnership with CGI, the Delinquent Tax Collection Contract has been hugely successful and from January 2008 to date, it has generated \$84M gross (\$59M for the State of Hawaii and \$25M cap paid to CGI). It is anticipated that \$110M - \$115M gross (\$85M to \$90M for the State of Hawaii and \$25M cap paid to CGI) will be generated by June 30, 2011.

There are allegations regarding the system's operational stability, in particular, 200 "crashes" per day. If "crashes" was defined that the system was down and nonfunctioning for more than a few minutes, a couple of times during the year, it does not accurately describe the situation. DOTAX users did experience brief periods of system downtime, process interruptions and slow response, but were still able to service taxpayers and continue working. As background, there are four machines in production that run 28 virtual servers and the loads are balanced almost equally between them. These 28 virtual servers service the 300 DOTAX staff on Oahu and the neighbor islands. If one of the 28 virtual server experiences a failure, the function is automatically routed to a functioning virtual server. A memory leak was identified to be the issue and it was sufficiently remedied by CGI in May 2009.

The Transition Plan that I mentioned at the SWAM hearing on April 7, 2010, referred to a departmental transition plan of all DOTAX issues and challenges, critical and upcoming deadlines and events, etc. to effectively changeover from this Administration to the next. It has been my experience that such plans are normally prepared when there is a transition. The draft Transition Development document that addresses the department transition is attached. Also attached is a draft transition plan submitted by the Information Technology Services Office, specifically discussing its proposed plan to transfer operations and maintenance of the ITIMS from CGI to DOTAX. This plan has not been reviewed or vetted internally.

**DEPARTMENT OF TAXATION
TRANSITION PLAN FOR THE DOTAX PROPOSED TRANSITION PLAN
Submitted: April 22, 2010**

I. Introduction

In 1999, the Department of Taxation (DOTAX) launched an aggressive reengineering and organizational change that would be supported by a new Integrated Tax Information Management System (ITIMS). Utilizing a classically developed "waterfall model," ITIMS is a sequential software development process in which progress is seen as flowing steadily downward (like a waterfall) through the phases of conception, initiation, analysis, design (validation), construction, testing and maintenance:



The final phase of the "waterfall model" is maintenance, which includes both normal Operations as well as Maintenance (O&M) of the system. This does not mean that system improvements stop; rather, the opposite is true. While in O&M, defects are detected, reported and fixed as well as enhancements made to the system to increase functionality, improve performance, address annual Tax Law Changes (TLC), etc.

The Department believes it is vital to reduce the number of problems that arise during system development so that process flows smoothly. Detecting and fixing defects before they reach operations is critical, as in this phase the resources associated with detection, reporting and correction is typically the highest and directly impacts mission activities. The implementing of Tax Law Changes is of particular concern to the operational areas, as mission-critical business processes and deadlines are directly dependent upon an efficient and effective TLC – as well as other ITIMS system modification upgrades and maintenance.

Although the Senate requested a transition plan, DOTAX has been considering this issue for some time. The development of the requested Plan has brought to light advantages that internal and/or external assessments could bring to DOTAX. It has also brought to light a number of operational concerns that need careful assessment.

This Transition Plan identifies the initial set of transition activities that the Department plans to conduct during the one-year transition period in order to attain, demonstrate, and/or identify areas that needs to be addressed in order to assume full responsibility of all system modifications, management, and operation of the

Integrated Tax Information Management System (ITIMS). This Plan is designed to enable accomplishment of that objective in a manner that attempts to minimize disruption, builds employee morale, and assures continuity of all business services. The following pre-transition activities have commenced:

1. From the inception of ITIMS, ITIMS related deliverables/projects have all come with knowledge transfer hand-offs that had to be accepted by DOTAX in writing.
2. Additional system testing resources identified from within existing operating divisions with regression testing training scheduled to begin as of May 17, 2010. The intense three-month training is being conducted by CGI, Inc. and is expected to last approximately three months, at which time the regression team will be assigned to work on a full-time basis with the development of the Miscellaneous Tax Integration within ITIMS. The Miscellaneous Taxes are the last major cluster of tax types that is currently not integrated within the ITIMS.
3. The Department's System Administrators have reconvened back into a "Project Mode" to implement the various Delinquent Tax Project Initiatives, whereby the System Administrators will once again be working side-by-side with the vendor's Business Analysts. This hands-on experience is deemed vital to provide additional Business Analyst experience, especially as it relates to ITIMS specific activities. A Business Analyst training to wrap up their hands-on experience and to provide a formal structure moving forward is scheduled for Spring of 2011.
4. The Compliance and Tax Services & Processing (TSP) Division's are both in the process of conducting an overall Strength, Weaknesses, Opportunities, and Threats (SWOT) analysis for their operational areas.
5. A previously year-to-year TLC system testing process that pulled from the operational areas has been stabilized over the past two years by the creation of an ad hoc TLC team. Previous attempts to make this group of a more permanent nature have failed due to the economic climate of the State, but as the economy permits, this is the Department's intermediate to long-term strategic goal.
6. ???

DOTAX's identified Transition Plan activities is scheduled to commence during the period of fiscal year 2011 (07/01/10 to 6/30/11).

A. Approach

DOTAX will manage the transition plan as a project, using a core management approach "plan, organize, perform, and review" under the direction of a DOTAX Transition Team (DTT) as appointed by the Deputy Director.

B. Assumptions

DOTAX's Transition Plan is based upon the following assumptions:

1. Each Division and Staff Office within DOTAX will conduct a self-assessed, Capabilities-based Assessment (CBA) as it relates to their direct and/or indirect role of DOTAX being able to satisfactorily assume full responsibility for all system modifications, management, and operations of ITIMS.
2. Additional funding resources and/or staffing are not available.
3. DOTAX's limited resources will attempt to balance its mission-critical activities to that of its identified Transition Plan activities to the best of its ability, with the acknowledgment that a very aggressive and demanding schedule already exists in an attempt to increase tax revenue collections.
4. Acknowledgement that DOTAX's core-mission is to protect state and maintain the tax revenue stream.

C. Roles and Responsibilities

The Director of Taxation is ultimately responsible for ensuring the successful transfer of all DOTAX activities from its current Administration to the future Administration.

The Deputy Director of Taxation is responsible for the general oversight of the Transition Plan and assembling the respective DTT.

The Planning & Solutions Committee (P&S) is responsible for providing technical and operational oversight to the DTT and approving the identified Transition Plan activities as being recommended by the DTT. Any unresolved policy matters will first be entertained by the P&S Committee and elevated to the Director of Taxation, as needed.

Division Administrators and Staff Officers are responsible for allocating appropriate resources to the identified Transition Plan activities, supporting the DTT in achieving their objective, and promoting an atmosphere of mutual cooperation, trust, and respect. Recognizing that transition is likely to occur concurrent with a change in Administration and commencement of a new fiscal year, all parties play a key role in ensuring the success of the Transition Plan.

The Transition Manager leads the DTT, ensures progress is being made and milestones are being met, and serves as the communications lead.

The DTT is responsible for preparing and executing a detailed transition plan pursuant to the various CBA's and SWOT analysis submitted. Any gaps identified may not include an exhaustive list of all gaps discovered, but all attempts should be made to reflect all gaps that pose unacceptable risk to achieving a smooth DOTAX transition of ITIMS. The DTT is responsible for providing periodic reports on their progress.

The contracting vendor of ITIMS, CGI, will assist in requested transition activities, as approved by P&S, consistent with their current contract responsibilities.

D. Phased Approach Using Project Management Techniques

Utilizing both the internal SWOT analysis and CBA as a starting point, DOTAX will entertain the development of a comprehensive Work Breakdown Structure (WBS) to identify, define, and schedule all of the activities and deliverables required to be completed during transition. Multiple levels are envisioned for the WBS:

- **Level One** – would represent the entire Transition Plan Project
- **Level Two** – consist of all identified transition activities
- **Level Three** – would provide a further breakdown of the effort, activities, and deliverables to be accomplished during transition.

E. Key Issues

DOTAX has identified the following key transition issues:

- **Personnel** – all current architectural, functional, and technical activities currently being conducted by the vendor, CGI, will be clearly identified, described, and mapped to current DOTAX personnel. If any gaps and/or required level of training are identified, the ability to address any limitations needs to be clearly understood, accepted, and satisfactorily and timely resolved.
- **Due Diligence** – due diligence reviews will take advantage of the knowledge of both DOTAX and CGI staff by virtue of their current and prior roles and knowledge of ITIMS.
- **Timely Continuity of Operations & Ongoing Initiatives** – at the conclusion of transition, DOTAX will assume responsibility for all work scope (e.g., tax law changes, core mission activities, impact analysis, etc.) within time requirements and with minimal impact on continuity of operation and/or DOTAX would have clearly identified areas that require additional resolution and proactively address these matters.
- **Property & License Inventory and Transfer** – utilizing the State's inventory decal management system develop a Reconciliation Property/License Inventory plan and baseline from which to proactively evaluate inventories, transfer any residual inventory, etc. from CGI to DOTAX. The development of lifecycle matrixes for all license and hardware support that delineates upcoming expirations, upgrades (if known), etc. is a desired outcome of this process, providing a road map to the near and intermediate future in which DOTAX can proactively anticipate and plan accordingly.
- **Ongoing Mission Oriented Activities & Revenue Generating Initiatives** – operating under an already lean budgetary environment with staffing restrictions, furloughs, hiring freezes, etc., limited resources must be clearly and proactively strategically aligned and prioritized.

DOTAX will review existing contractual language to ensure the timely, seamless transfer of any subcontracts, licenses, property, and equipment from CGI to DOTAX. This review will be completed prior to the Readiness Review and effective on July 1, 2011.

F. Key Milestones

The P&S Committee will recommend a Transition Manager for the Deputy Director's consideration and approval on or before May 3, 2010. The selection of a Transition Manager will be made shortly thereafter, whereby the Transition Manager is then responsible for recruiting a capable DTT team and seeking approvals from their respective supervisors to participate. A fully assembled and vested DTT team is expected to be announced to the P&S Committee on or before May 28, 2010.

CBA's will be commenced by each Division and Staff Office on or before May 3, 2010 and due to the Transition Manager on or before May 28, 2010.

Any and all SWOT analysis being conducted by DOTAX will be turned in directly to the Transition Manager and Deputy Director on or before May 17, 2010.

On or before June 30, 2010, the P&S Committee and the Transition Manager would have reviewed and/or requested any information necessary in order to discuss the following DTT activities that may be considered necessary to develop a detailed Transition Project Plan:

1. A Functional Area Analysis (FAA) that defines associated tasks, conditions, and standards and also identifies any joint interdependencies between ITIMS and other internal and external factors.
2. Functional Needs Analysis (FNA) that validates baseline architecture and provides an aid in providing input to support capability gap analysis. The FNA should list a prioritized set of gaps that DOTAX should address, or conclude that no pressing gaps exist. Any gap list may not include an exhaustive list of all gaps discovered, but it should try to reflect all gaps that pose unacceptable risk to achieving a smooth DOTAX transition of ITIMS.
3. Functional Solution Analysis (FSA) that assesses potential policy approaches to solving, or at least mitigating, one or more of the capability gaps identified in the FNA. The approaches identified should include the broadest possible range of possibilities for addressing any capability gaps. The results of the FSA may influence the future direction of integrated architectures and provide vital input prior to the targeted June 30, 2011 completion and implementation of the Transition Plan.
4. Post Independent Analysis (PIA) – a review conducted on completed CBA's, not individual products like the Functional Area Analysis (FAA), Functional Needs Analysis (FNA), and Functional Solutions Analysis (FSA). However, it is recommend that the draft FAA, FNA, and FSA documents (as they are being developed) be reviewed by DOTAX before being finalized for approval.

A detailed Transition Plan will be developed and implemented by the DTT during the period of July 1, 2010 to June 30, 2011.

Transition status briefings will commence throughout the fiscal year of 2011, however, by September 30, 2011 a comprehensive Readiness Review will be presented by the DTT to DOTAX's Executive Management.

Based upon the results, appropriate action will be taken by DOTAX on or before June 30, 2011.

G. Comprehensive Communications Approach

DOTAX Director and Deputy, and Transition Manager will meet monthly with senior DOTAX management to provide schedule and overall transition status and to address any emerging concerns so that any issues can be promptly addressed. Because DOTAX's incumbent workforce is a crucial stakeholder in this transition, DOTAX has also planned a series of frequent, informative communications. DOTAX will use a variety of mechanisms, including the following:

- Frequent transition updates/information messages from DOTAX's Director
- A series of staff meetings focusing on introducing the key DTT personnel; communicating its vision for the future of ITIMS; and answering questions from employees
- An introductory information packet to all DOTAX staff that contains a high-level schedule of transition activities that cross references and ties back to the department's end-user SWOT analysis
- A venue for staff to raise questions/concerns.

H. Dispute Resolution

DOTAX anticipates differences in perspectives and potentially competing priorities during this intense period of change. DOTAX's Director and Deputy will work closely with all major stakeholders to minimize disputes and barriers wherever possible.

I. Identification and Prioritization of Post-Transition Issues

Should issues arise that cannot be resolved during Transition, these issues will systematically be documented and included in the final Readiness Review Report along with a proposed action plan for closeout of these items.

II. Transition Project Plan – to be developed by DTT {7/1/10 to 6/30/11}

ITSO's Draft of Transition

April 19, 2010

STATEMENT of GOAL:

State Legislature Senate Concurrent Resolution SCR78 titles "Requesting a Management and Financial Audit of Department of Taxation Contracts". The legislation states " to the Auditor is requested to conduct a management and financial audit of all contracts between the Department of Taxation, CGI Technologies and Solutions, Inc., and its predecessor American Management Systems, Inc.;...". The main concern was an accounting of the \$87.5 million spent regarding the various contracts CGI has had with the Department of Taxation from 1999 through 2011.

The Legislators also amended the legislation by adding in, "BE IT FURTHER RESOLVED that the Department of Taxation is requested to establish and implement a transition plan wherein **department personnel** shall assume all functions performed by employees of CGI Technologies and Solutions, Inc., under the **current delinquent tax collection contract;...**"

In Senator Kim's letter dated 4/8/2010), "... please submit a detailed transition plan for the transfer of the **operations and maintenance** of the ITIMS from CGI to DoTax

BACKGROUND:

When the various phases of ITIMS were implemented it became noticeable with the implementation of Individual Tax phase that there was a shortage of technical and business expertise staffing.

There was also a noticeable gap in the type of positions implemented and the level of service being requested. Although technical positions and system administrative positions had been included as part of the staffing support, no positions were targeted or requested to support the need for project lead and business lead type positions. This situation has never been corrected and to this day DOTAX has relied on contactors to fulfill this capacity within DOTAX.

In addition in 2009 four technical positions needed to remain vacant and a further loss of one technical position was made as part of a reduction in force. These steps were taken in order to assist with the balancing the budget. Although these staffing reductions occurred the Department continued with ongoing contracts which in turn creates an additional need to support the expanded system, even though permanent staffing support for the implementations of system expansion are not immediately available.

In addition budget restraint has caused the Department to need to rely on the vendor contracts to address the maintenance needs for both existing and future hardware and software costs. This is also a critical area which must be addressed as a component of "a transition plan wherein department personnel shall assume all functions".

PLANNING for RESOLUTION:

As it is not simply just a plan that will ensure success, a series of actions and Departmental directions need to be taken to ensure a successful transition that can be both supported and sustained.

1. Future contracts:

Should be limited to remedying what is already documented as needing to be fixed with the system. Some problem resolutions currently being requested from the vendor date back to October 2004. A moratorium should be declared on all new system business enhancements that are not related directly to Legislative Tax Law changes.

Any future software development contracts requested by DOTAX should be specifically scoped to address the needs for the expenditure being requested. As the system is highly integrated and there is now a proven track record on what it costs to make significant changes a pool of money should be established for the purpose of acquiring additional contracted personnel to cope with the impacts of significant modifications to the ITIMS system that will be necessary to address implementations that exceed the capacity of existing staff. This will be necessary to address any significant Legislative mandates due to tax law changes.

2. Transition of Current Implementations by CGI vendor:

There already is an existing plan and process in place to transition away from the CGI vendor. It affects both business and technical support functions.

Business area transition planning:

The business area will be receiving additional instruction from CGI on how to test the system.

The function of testing and requirements has mainly been provided by the System Administrator positions. There is currently an adequate level of staffing for these positions. However as they are managed in a manner that is disjoint from the technical support positions it is recommended that these positions be centralized under ITSO to ensure that there are common goal and direction to work efforts within the Department. This reorganization can be done internally once vested parties reach agreement.

A necessary area to ensure transition success that has never been addressed is how to ensure that the Department will be able to conduct business analysis activities. This problem has existed since the initial implementations as that particular job family was not a component of the personnel implementation/transition of the project. No DOTAX employee has ever lead, coordinated, analyzed and presented a significant project involving the ITIMS systems. This gap can only be resolved by obtaining staff with proper experience in this field, training them, allowing them to obtaining experience with Tax systems and also establishing a standard methodology for business analysis process. An estimated three additional position in this capacity would be needed to maintain the current rate of demand by the Department.

Technical area transition planning:

The technical area works with CGI as a partner on all implementations. There is co-development activity as well as an established knowledge transfer activity that occurs for technical aspects of any implementations. In addition there is a technical "walk through" when any implementations is made. DOTAX's technical area also participates in the promotions processes for all products into either test or production environments.

A revised baseline document, a Hawaii Baseline document, was not requested as part of the original ITIMS deliverable and thus it is critical for the vendor to complete the already requested revised documentation of the system to resolve the current problem of old baseline documentation with thousands of documented changes and hundreds of documented requirement all maintained in separate locations with little linkage. It is currently very difficult to review the systems functions and asses changes with such a disparate documentation. A draft of this deliverable is expected within a month.

No other support has been requested by the ITSO technical support area other than technical improvements to reduce maintenance of the system and requests for upgrades/replacements for outdated hardware and software. These are being addressed within the current contract expenses. Maintenance support for the current contract deliverables for Audit Warehouse project, Non-filer project, Phone Payment Plan project, Archiving, and Miscellaneous Tax project, will be implemented with the support of existing maintenance staff. It is requested that the five technical IT positions be restored as soon as possible to provide better support for these additional maintenance work load.

The Networking area currently has adequate staff and knowledge to maintain the existing systems. They already participate as the lead role in the management and installation of any new hardware and system software.

3. Maintenance funding planning:

The current maintenance for significant Legislative implementations like County Surcharge Tax and Document Scanning requiring an experienced vendor and certified Technical staff to request cost that average more than \$1 million per year to deliver these type of modifications. It is obvious that the system requires significant additional expenses in order to be modified to accommodate legislation that has significant impact. It is recommended that a contingency fund to set approximately \$1 million on a reoccurring annual basis in order to provide the Department with access to any necessary financing to acquire additional staff and resources to address the costs associated with modifying the system on a routine basis.

4. Budget transition planning:

There is an obvious need to acquire a routine funding method for the hardware and software of the ITIMS system components. Recent budget restraints have required the vendor to provide three years of maintenance costs for the new initiatives in order for DOTAX to be able to accept projects involved in the current contract. This method of financing is near term and the Department will need to come up with a replacement method. It is estimated that cost will be cyclical and will require the allocation of approximately \$1.5 million in additional funds to ensure the Department is on supported versions of hardware and software.

2010 Legislation

Date: 06/22/2010

Signed into Law

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
HB 2596	TAX CREDIT (Provides for the statutory ordering of income tax credits, which requires the claiming of refundable credits first, followed by nonrefundable credits.)	Applies to taxable years beginning on or after 1/1/10.	17.0	17.0	0.0	0.0	0.0	Act 21 (Signed on 4/14/10)	2010-04 (6/7/10)
HB 2600	TAX ADMINISTRATION (Amends the due dates for miscellaneous tax types from the last day of the month to the twentieth day of the month to conform with the general excise tax payment deadline. Amends the due date for filing and payment of quarterly periodic insurance premiums taxes from quarterly to monthly.)	July 1, 2010.	21.3 GF 5.0 SF	0.0	0.0	0.0	0.0	Act 22 (Signed on 4/14/10)	2010-02 (5/13/10)
SB 2834 SD 1	TAXATION (Establishes a wagering loss deduction for state income taxes. Applies retroactively beginning after December 31, 2008.)	Applies to taxable years beginning after 12/31/08.	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Act 23 (Signed on 4/15/10)	2010-05 (6/7/10)

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
HB 1985 SD 1 CD 1	TAXATION (Repeals the deduction from taxable income for amounts given as political contributions effective January 1, 2011; increases the tax on cigarettes and little cigars by one cent for sales on or after July 1, 2010; and temporarily increases certain insurance fees and specifies that the increased fees be deposited equally into the compliance resolution fund and the general fund as an insurance license and service tax. Effective July 1, 2010. DOES NOT INCLUDE REVENUE GAIN FROM INSURANCE FEES.)	Political contribution: Beginning TY 2011. Tobacco taxes: July 1, 2010.	10.8	12.0	12.0	12.0	12.0	Act 59 (Signed on 4/25/10)	2010-06 (6/7/10)
HB 2421 HD 2 SD 2	GOVERNMENT (Establishes various initiatives, and appropriates funds to promote economic development for local food and energy businesses, ensures Hawaii is energy and food self-sufficient and sustainable to the maximum extent feasible, and helps Hawaii's natural resources and humankind adapt and be resilient to the inevitable challenges brought on by climate change. Increases and changes the name of the environmental response tax to \$1.55/barell, and sunsets the tax on June 30, 2015.)	July 1, 2010 - June 30, 2015.	GF:13.2; ESSF: 3.3; ESDSF: 2.2; AD&FSFS : 3.3	GF:13.2; ESSF: 3.3; ESDSF: 2.2; AD&FSFS : 3.3	GF:13.2; ESSF: 3.3; ESDSF: 2.2; AD&FSFS : 3.3	GF:13.2; ESSF: 3.3; ESDSF: 2.2; AD&FSFS : 3.3	GF:13.2; ESSF: 3.3; ESDSF: 2.2; AD&FSFS : 3.3	Vetoed on 4/25/10. Act 73, veto override on 4/29/10.	2010-07 (6/7/10)

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
HB 2866 HD 1 SD 1	TAXATION (Retains the State's ability to "pick-up" the state death tax credit as it existed in the Internal Revenue Code on 12/31/2009. Applies to property interests of persons who die after April 30, 2010 . Amends the definition of "Internal Revenue Code" to include certain federal tax principles. Adds definitions of "nonresident not a citizen" and "noncitizen transfer". Taxes the transfer of a taxable estate located in Hawaii by a nonresident who is not a citizen of the United States.)	Applies to property interests of persons who die after April 30, 2010.	8.2	19.6	19.6	19.6	19.6	Vetoed on 4/25/10. Act 74, veto override on 4/29/10.	In-progress
SB 1230 SD 2 HD 1 CD 1	TAXATION (Adds a definition for "large cigars". Amends the definitions of "little cigars" and "tobacco products". Limits to large cigars the general excise tax on the wholesale price of each cigar sold, used, or possessed by a wholesaler or dealer.)	July 1, 2010.	Indeterminate					Act 90 (Signed on 5/11/10)	2010-08 (6/7/10)
SB 2643 SD 1 HD 1 CD 1	GENERAL EXCISE TAX (Extends the general excise tax exemptions for condominium common expenses paid by managers, submanagers, and suboperators, and for hotel employee expenses paid by hotel operators and timeshare projects through December 31, 2013; clarifies that the maximum allowable tax exemption per calendar year is \$400,000.)	7/1/10 - 12/31/14.	(0.2)	(0.4)	(0.4)	(0.4)	(0.2)	Act 91 (Signed on 5/11/10)	2010-09 (6/7/10)

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
HB 2594 HD 2 SD 1 CD 1	CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE (Provides a measure for conforming amendments to the Hawaii income tax law based upon amendments to the Internal Revenue Code for calendar year 2009. Includes conformity to additional reporting requirements. Requires ROTH conversions to be paid in 1 year.)	Upon its approval; provided that section 6 shall take effect on January 1, 2011.	5.8	(1.7)	10.8	11.5	12.6	Act 112 (Signed on 5/17/10)	2010-10 (6/7/10)
HB 2595 HD1 SD2 CD 1	GENERAL EXCISE TAX (Precludes a taxpayer from using a general excise tax benefit, including exemptions, deductions, lower rates, or income splitting, unless the taxpayer follows all administrative requirements, subject to exemptions. Creates trust liability for revenues collected by a business as a tax recovery whether such amount is separately stated or not.)	July 1, 2010, and shall apply to gross income or gross proceeds received by applicable taxpayers on or after its effective date.	15.0	30.0	30.0	30.0	30.0	Act 155, Signed on 6/1/10	In-progress

Vetoed Bill

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
SB 2401 SD1 HD1	STATE FINANCES (Suspends temporarily the claiming of the technology infrastructure renovation and high technology business investment tax credits. Effective 07/01/10.)	Taxable years 2010, 2011, and 2012.	93.3	47.5	27.5	(84.2)	(84.2)	Enrolled on 4/30/10. Vetoed on 6/9/10.	

Bills Enrolled to the Governor

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
HB 1907 HD 1 SD 1 CD 1	TAXATION (Temporarily places a cap on itemized deductions (Cap at \$50,000: Joint; \$37,500: HH; \$25,000: Single for taxpayers with AGI over \$300,000: Joint; \$225,000: HH; and \$150,000: Single) claimed on state income tax returns until January 1, 2016 . Removes the refunding feature of the capital goods excise tax credit for eligible depreciable tangible personal property placed in service after December 31, 2009, but before January 1, 2015. Applies to taxable years beginning after December 31, 2009. Effective retroactive to January 1, 2010.)	Itemized deductions: TYs 2010 - 2015. CGETC: 1/1/10 - 12/31/14.	33.4	28.5	27.1	26.6	26.4	Enrolled on 5/3/10. Potential veto list on 6/21/10.	
HB 1948 HD 1 SD 1 CD 1	TAXATION (Requires the Department of Taxation to provide refunds to taxpayers within 90 days of the later of (1) the due date of the tax return; or (2) the date the tax return is filed. Requires that all general revenues collected from an increase of any general excise or use tax rate be used first to pay tax refunds delayed from fiscal year 2009-2010 to fiscal year 2010-2011. Effective July 1, 2010.)	July 1, 2010.	Minimal					Enrolled on 5/3/10	

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
HB 2542 HD 1 SD 2 CD 1	NON-GENERAL FUND (Addresses the fiscal year 2010-2011 budget shortfall by transferring to the general fund various amounts of excess balances from certain special funds; amends the refundable credit of the Fuel Tax Credit for Commercial Fishers to be paid from the State Highway Fund.)(REVENUE ESTIMATES ON TAX-RELATED SPECIAL FUNDS ONLY)	July 1, 2010.	GF:9.9; HW: (0.1); TS: (2.5); CH: (2.5); EM: (4.9)	GF:20.7; HW: (0.1); TS: (7.6); CH: (5.2); EM: (7.9)	GF:21.6; HW: (0.1); TS: (8.1); CH: (5.4); EM: (8.1)	GF:1.8; HW: (0.1); TS: (0.7); CH: (0.4); EM: (0.7)		Enrolled on 5/3/10	
SB 2001 SD1 HD1	TAXATION (Extends the research credit for 1 year. Repeals the technology infrastructure and high technology business investment tax credits on 05/01/10.)	Investments made and renovation costs incurred on or after May 1, 2010.	13.1	(7.6)	7.5	3.8	3.8	Enrolled on 4/30/10. Potential veto list on 6/21/10.	
SB 2610 HD 1 CD 1	CONVEYANCE TAX (Requires the director of taxation to provide the administrator of each county's real property assessment division with an image of all certificates of conveyances filed with the bureau of conveyances.)	Upon its approval.						Enrolled on 5/3/10. Potential veto list on 6/21/10.	

Bill Number	Description "Relating to..."	Effective Date	General Fund Revenue Gain (Loss) (\$ Million)					Status	Tax Announcement
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
SB 2842 SD 2 HD 1 CD 1	PERMITTED TRANSFERS IN TRUST ACT (Creates the Permitted Transfers in Trust Act to govern transfers of currency, bonds, and securities from a transferor to a trustee by means of an irrevocable trust instrument. Specifies that the rule against perpetuities does not apply to transfers pursuant to the Permitted Transfers in Trust Act. Effective July 1, 2010. Assess a 1% tax on transfers into the trust. Allows Department to administer new tax by temporary rule.)	July 1, 2010.	Negligible					Enrolled on 5/3/10	

Keys:

HB 2542 GF = general fund; HW = highway fund; TS = trauma system fund; CH = community health fund; EM = emergency medical fund.

HB 2421 GF = general fund; APF = airport fund; ESSF = energy security special fund; ESDSF = energy systems development special fund; AD&FSSF = agricultural development and food security special fund