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LATE TESTIMONY

**SENATE COMMITTEES ON PUBLIC SAFETY & MILITARY AFFAIRS AND
TRANSPORTATION, INTERNATIONAL & INTERGOVERNMENTAL AFFAIRS
TESTIMONY REGARDING SB 2052
RELATING TO FIREWORKS**

*****WRITTEN TESTIMONY ONLY*****

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: JANUARY 25, 2010
TIME: 1:45PM
ROOM: 224

The Department of Taxation ("Department") opposes this bill, which results in a new surcharge tax in chapter 132D, HRS to be administered by the Department.

THE DEPARTMENT IS NOT INVOLVED WITH FIREWORKS OVERSIGHT OR REGULATION—Chapter 132D already requires purchasers and users of consumer fireworks to acquire a permit, and importers and sellers of consumer fireworks to acquire a license. As one would expect, these permits and licenses are not currently administered by the Department. The Department can find no rational basis for it to be involved in the business of reducing the use of consumer fireworks, especially when such work is already being done by other state and county agencies.

The Bill understandably does not give the Department any authority to deny a license to a seller or to otherwise prevent the sale of consumer fireworks, which, in any event, would be outside of the scope of the department's duties provided in § 26-10, HRS. The only role for the Department is to collect the surcharge from the sellers of consumer fireworks for the purpose of policing firework use, which is already being done by other government agencies. This duplication of effort is a waste of already limited governmental resources.

NO RESOURCES TO ADMINISTER THIS TAX—Given all of the amendments and changes to tax provisions being contemplated this session, this surcharge tax is ill-timed. Anytime the legislature amends or otherwise changes the tax laws of the state, additional administration costs are incurred. Even a statutory change as simple as a tax rate change adversely impacts the Department's ability to efficiently collect taxes and administer the tax law due to the need to administer two rates for a period of time. When computers are involved, the administrative

difficulties are compounded. As anyone familiar with computers can attest, whenever a computer's software is altered, the changes need to be carefully and thoroughly planned and tested in order to avoid errors in implementation, which themselves have the potential to create more work than the initial efforts made to effectuate the necessary change. Computers give no leeway; they do exactly what they are instructed to do. The changes must be exact and unambiguous, and strictly follow computer logic. The more complicated and interconnected a system is (in other words, the more automated tasks it is capable of doing), the more difficult it is to anticipate all of the operational effects of a "simple" change in the program. Even if the process is manual, the Department loses processing efficiency, especially in the issuance of tax clearances.

THIS MEASURE IS OUTSIDE OF TITLE 14, HRS, AND DOES NOT INCLUDE ANY ADMINISTRATIVE AUTHORITIES NEEDED TO ADMINISTER THE TAX—Finally, by placing tax provisions outside of Title 14, HRS, this Bill will deny the Department many of the powers or remedies provided for the proper administration of taxes located in Title 14, HRS. Many of these powers and remedies apply only to tax chapters in Title 14. Also, scattering tax provisions throughout the Hawaii Revised Statutes not only makes it difficult to keep track of all the taxes the Department is required to administer, it creates a tax trap for the unwary. Ignoring the fact that many necessary tools for proper tax administration are lacking in this Bill, it is just fundamentally inconsistent with the organizational logic of the Hawaii Revised Statutes to place tax provisions administered by the Department outside of Title 14, HRS.

REVENUE IMPACT—Not taking into account revenue lost due to possible operational inefficiencies, this measure will result in an indeterminate revenue impact.

LATE TESTIMONY

**TO: The Honorable Will Espero (Chair)
The Honorable Robert Bunda (Vice Chair)
and Members of the Public Safety Committee**

**The Honorable Kalani English (Chair)
The Honorable Mike Gabbard (Vice Chair)
and Members of the Transportation Committee**

**DATE: Monday, January 25, 2010
Room 224 at 1:45pm**

RE: SB-2052 Relating to Fireworks

POSITION: STRONG SUPPORT

My name is Fetu Kolio, I am a community resident of Kalihi-Palama, I also serve as member of the Kalihi-Palama Neighborhood Board No#15. I am testifying today in STRONG SUPPORT of SB-2052, relating to fireworks.

SB-2052, would help all proceeds collected from fireworks violations to State of Hawaii, and increases the penalty for fireworks violations. Thank You for letting me testify.

**Fetu Kolio
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