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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Chapter 231, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§231- Whistleblower awards. (a) If the director of  
5 taxation proceeds with an administrative or judicial action for  
6 any violation of title 14 by a taxpayer based on information  
7 received from an individual, the individual, except as provided  
8 in subsection (b), shall receive as an award at least fifteen  
9 per cent but not more than thirty per cent of the collected  
10 proceeds (including penalties, interest, additions to tax, and  
11 additional amounts) resulting from the action, any related  
12 actions, or any settlement in response to the action; provided  
13 that no award shall be made under this section unless:

14           (1) In the case of actions brought against an individual  
15           taxpayer, the taxpayer's gross income exceeds \$200,000  
16           for any taxable year subject to the action;

17           (2) The tax, penalties, interest, additions to tax, and  
18           additional amounts in dispute exceed \$2,000,000; and



1       (3) The information that the individual provides the  
2           director of taxation is submitted under penalty of  
3           perjury.

4       The determination of the amount of any award under this  
5       subsection shall depend upon the extent to which the individual  
6       substantially contributed to the action, as determined by the  
7       director.

8       (b) If the director of taxation determines that an action  
9       described in subsection (a) is based principally on disclosures  
10       of specific allegations resulting from a judicial or  
11       administrative hearing, from a governmental report, hearing,  
12       audit, or investigation, or from the news media, the director  
13       may award a sum or sums as the director deems appropriate, but  
14       in no case more than ten per cent of the collected proceeds  
15       (including penalties, interest, additions to tax, and additional  
16       amounts) resulting from the action, any related actions, or any  
17       settlement in response to the action, taking into account the  
18       significance of the individual's information and the role of the  
19       individual and any legal representative of the individual in  
20       contributing to the action.

21       This subsection shall not apply if the information  
22       resulting in the initiation of an action described in subsection



1 (a) was originally provided by the individual described in that  
2 subsection.

3 (c) If the director of taxation determines that the claim  
4 for an award under this section is brought by an individual who  
5 planned and initiated the activities that led to the violation  
6 for which the director proceeded with an administrative or  
7 judicial action, the director may reduce the award accordingly;  
8 provided that if the individual is convicted of criminal conduct  
9 arising from those activities, the director shall deny any  
10 award.

11 (d) Within thirty days of any determination regarding an  
12 award under this section, the determination may be appealed to  
13 the tax appeal court, which shall have jurisdiction over the  
14 matter.

15 (e) No contract with the department shall be necessary for  
16 any individual to receive an award under section.

17 (f) Any individual described in subsection (a) or (b) may  
18 be represented by counsel."

19 SECTION 2. This Act does not affect rights and duties that  
20 matured, penalties that were incurred, and proceedings that were  
21 begun before its effective date.

22 SECTION 3. New statutory material is underscored.



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

2 INTRODUCED BY: *Joan W. Choy*

JAN 11 2012



# H.B. NO. 1672

**Report Title:**

Taxation; Whistleblower Awards

**Description:**

Establishes monetary awards for whistleblowers providing information that is the basis for any DOTAX administrative or judicial action for violations of tax laws.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

