

Honolulu, Hawaii

April 5, 2012

RE: S.B. No. 2238
S.D. 1
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2238, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish monetary awards for whistleblowers providing information that is the basis for a Department of Taxation administrative or judicial action for violations of tax laws;
- (2) Prohibit penalties for substantial understatements or misstatements and for erroneous claims for refund or credit from being added to tax underpayments on which certain other penalties are already imposed; and
- (3) Mandate that nonprofit organizations receive 90 days notice before the denial of general excise tax benefits and to exempt from personal liability persons having control of certain amounts held in trust for nonprofit organizations.

The Hawaii Alliance of Nonprofit Organizations testified in support of this measure. The Department of Taxation, Tax



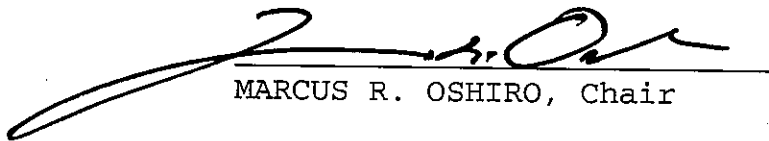
Foundation of Hawaii, Chun, Kerr, Dodd, Beaman, & Wong, and a concerned individual provided comments on this measure.

Your Committee has amended this measure by:

- (1) Amending the whistleblower award language to conform to the language of Section 7623(a) of the Internal Revenue Code;
- (2) Deleting certain statutory references to ensure that the prohibition of imposing certain civil penalties from being added to tax underpayments on which certain other penalties are already imposed will not prevent criminal prosecution in cases of fraud or willful failure to collect and pay over any tax imposed by title 14; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2238, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2238, S.D. 1, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



