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To: The Honorable Marcus Oshiro, Chair,
and Members of the House Committee on Finance

Date: Thursday, February 23, 2012
Time: 1:00 P.M.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 2144 H.D. 1, Relating to Taxation

The Department of Taxation (Department) understands the intent of H.B. 2144 H.D. 1, but must respectfully oppose this measure, as it requires the Department to disclose confidential taxpayer information.

H.B. 2144 H.D. 1 requires the Department to prepare and submit an annual report to the legislature and the Hawaii Housing Finance and Development Corporation (HHFDC) on the general excise tax exemptions granted pursuant to section 201H-36, Hawaii Revised Statutes (HRS), for development of low-cost housing and affordable rental housing during the taxable year beginning after December 31, 2010. This report must include information on the total amount of otherwise-taxable revenue subject to the exemption granted under section 201H-36, HRS, as well as a listing of all exemptions awarded and the duration of all exemptions awarded.

All tax information provided to the Department, including tax exemptions granted by HHFDC, is confidential and may not be disclosed to the public. Additionally, tax information that could lead to the identification of a taxpayer also is deemed confidential.

The Department recommends that if the Committee would like access to confidential tax information related to the awarding of certain tax exemptions, the Committee can require the taxpayer receiving the tax benefits to report their tax information directly to the Legislature and the HHFDC, as a condition to receiving these tax benefits. The bill language should also specify the taxable year that the reporting requirement should commence.

Thank you for the opportunity to provide comments.