

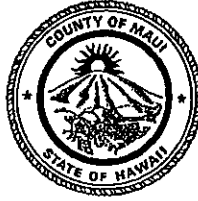
# SB 2380

## **RELATING TO TAXATION**

*Description:*

Requires the state tax department to grant counties access to the State's income tax database for real property tax purposes.

ALAN M. ARAKAWA  
MAYOR



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**OFFICE OF THE MAYOR**

Ke'ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

January 30, 2012

Committee on Public Safety, Government Operations, and Military Affairs  
Honorable Will Espero, Chair

The Senate Committee on Judiciary and Labor  
Honorable Clayton Hee, Chair

Testimony of Alan M. Arakawa, Mayor, County of Maui  
Tuesday, January 31, 2012, 2:45 p.m., Room 224

**Support of SB 2380, Relating to Taxation**

The County of Maui is testifying in support of SB 2380, which would provide the counties with access to the state income tax database to effectively monitor its real property tax programs.

The proposed amendment would allow each county's real property tax division with information that will protect the integrity of the existing home exemption and circuit breaker relief programs.

Thank you for the opportunity to testify on this matter.

Sincerely,

A handwritten signature in black ink that reads "Alan Arakawa". The signature is written in a cursive style.

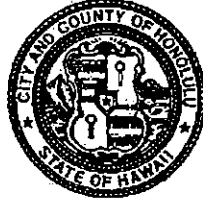
ALAN M. ARAKAWA  
Mayor, County of Maui

DEPARTMENT OF BUDGET AND FISCAL SERVICES

## CITY AND COUNTY OF HONOLULU

REAL PROPERTY ASSESSMENT DIVISION  
842 BETHEL STREET, 2<sup>ND</sup> FLOOR \* HONOLULU, HAWAII 96813  
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PETER B. CARLISLE  
MAYOR



MICHAEL R. HANSEN  
DIRECTOR  
NELSON H. KOYANAGI, JR.  
DEPUTY DIRECTOR  
GARY T. KUROKAWA  
ADMINISTRATOR

January 30, 2012

Honorable Senator Will Espero, Chair  
Honorable Senator Michelle N. Kidani, Vice Chair  
State Senate  
Hawaii State Capitol, Room 231  
Committee on Public Safety, Government Operations, and Military Affairs

Honorable Senator Clayton Hee, Chair  
Honorable Senator Maile S.L. Shimabukuro, Vice Chair  
State Senate  
Hawaii State Capitol, Room 407  
Committee on Judiciary and Labor

RE: SB2380 - RELATING TO TAXATION

The City and County of Honolulu supports the intent of SB2380, which would provide the counties with access to the state income tax databases in order to enable the counties to efficiently provide real property tax relief to eligible taxpayers.

One such tax relief program that the city provides is an exemption for real property owned and occupied as the owner's principal home whereby the owner is age 75 years or older and the total household income qualifies as low-income. Another program is the tax credit, also known as the circuit breaker, where homeowners receive a tax credit on their property tax if that tax exceeds a percentage of their income.

While granting access to the counties to the state income tax database may be the most efficient and cost effective way for the counties to verify real property owners' income statements, we have some concerns about the privacy issues related to accessing personal and confidential taxpayer information.

To minimize any breach of confidentiality the city would prefer to send the state a list of the taxpayers whose incomes needing verification, thereby avoiding any direct access by other than state employees.

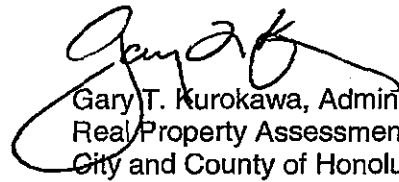
Instead of the proposed new language in SB2380, we propose the following language for §231-18 and §235-117:

Honorable Senator Will Espero, Chair  
Honorable Senator Michelle N. Kidani, Vice Chair  
Honorable Senator Clayton Hee, Chair  
Honorable Senator Maile S.L. Shimabukuro, Vice Chair  
January 30, 2012  
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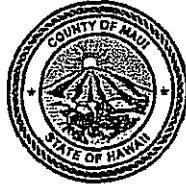
"The department of taxation shall provide any county of this State, or the authorized representatives thereof, verification of the income tax and corroboration of other tax filing data of real property owners for real property tax purposes only."

We thank you for the opportunity to testify on this important taxpayer relief issue and would be happy to answer any questions you may have.

Respectfully Submitted,

  
Gary T. Kurokawa, Administrator  
Real Property Assessment Division  
City and County of Honolulu

ALAN M. ARAKAWA  
Mayor



DANILO F. AGSALOG  
Director of Finance

JEREMIAH L. SAVAGE  
Deputy Director of Finance

SCOTT K. TERUYA  
Administrator

GERY MADRIAGA  
Assistant Administrator

COUNTY OF MAUI  
DEPARTMENT OF FINANCE  
**REAL PROPERTY TAX DIVISION**  
70 E. KAAHUMANU AVENUE, SUITE A-16, KAHULUI, MAUI, HAWAII 96732  
Assessment: (808) 270-7297 | Billing and Collection: (808) 270-7697 | Fax: (808) 270-7884  
www.maulpropertytax.com

January 30, 2012

**SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND  
MILITARY AFFAIRS**

Honorable Senator Will Espero, Chair

**SENATE COMMITTEE ON JUDICIARY AND LABOR**

Honorable Senator Clayton Hee, Chair

Tuesday, January 31, 2012  
2:45 p.m., Room 224

**Support of SB 2380, Relating to Taxation**

The County of Maui, Real Property Tax Division supports the intent of SB 2380, Relating to Taxation, which would allow the counties access to the state income tax databases.

By providing applicable tax information to Maui County, our home exemption and circuit breaker tax credit program will be provided another tool against fraud. For the past two years, our office has received information from the State Department of Taxation that has led to removal of home exemptions.

We urge you to pass this amendment and give the Counties the means to safeguard its exemption and circuit breaker programs.

Thank you for the opportunity to testify on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott K. Teruya".

Scott K. Teruya  
Administrator, Real Property Tax Division

**Bernard P. Carvalho, Jr.**  
Mayor



**Wallace G. Rezentes, Jr.**  
Director of Finance

**Gary K. Heu**  
Managing Director

**Sally A. Motta**  
Deputy Director of Finance

**DEPARTMENT OF FINANCE**  
**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite 280, Lihu'e, Hawai'i 96766  
TEL (808) 241-4200 FAX (808) 241-6529

Testimony of  
**WALLACE G. REZENTES, JR.**  
Director of Finance - County of Kauai

**Before the Senate Committee on Public Safety, Government Operations, and  
Military Affairs and the Senate Committee on Judiciary and Labor**

**Tuesday, January 31, 2012**  
**2:45 pm**  
**State Capitol, Conference Room 224**

In consideration of  
**SENATE BILL 2380**  
**RELATING TO TAXATION REQUIRING THE STATE TAX  
DEPARTMENT TO GRANT COUNTIES ACCESS TO THE STATE'S  
INCOME TAX DATABASE FOR REAL PROPERTY TAX PURPOSES**

The County of Kaua'i submits the following testimony in support of this bill which will provide access to the State Tax Department database for the purposes of real property tax use only in order for the Counties in the State of Hawai'i to efficiently provide tax relief to eligible taxpayers based on their filed State tax returns.

Currently, the Counties cannot access the data base even though currently access is available to duly accredited tax officials of the United States, any state or territory, or the authorized representative thereof for tax purposes only.

The Counties in Hawai'i should have that same privilege.

Thank you for the opportunity to provide this testimony.

*An Equal Opportunity Employer*

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** ADMINISTRATION, County access to taxpayer information

**BILL NUMBER:** SB 2380

**INTRODUCED BY:** Dela Cruz, Kidani and 4 Democrats

**BRIEF SUMMARY:** Amends HRS sections 231-18 and 235-117 to allow the department of taxation to permit any county to access the income tax data of applicants for real property tax purposes only.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** While the proposed measure would allow the counties to access state taxpayer information, it should be remembered that HRS section 235-116 provides that all income tax returns and return information including any copy of any portion of a federal income tax return or any information contained on a federal return used in filing a state income tax return shall be confidential. This provision of the law recognizes the agreement between the state and the federal Internal Revenue Service to share confidential taxpayer information to assist in the auditing of taxpayer returns. As a result, part of the deal is that taxpayer information remains confidential and is used only for the purpose of sharing information.

Therefore, the adoption of this measure may be in violation of this agreement as information on returns for taxes other than the income tax eventually is reported on the net income tax return. If any form of this proposal gains legislative traction, the state should secure written concurrence from the Internal Revenue service before passage of this proposal.

That said, it is understandable that utilization of income information would be helpful to the counties in determining the need for relief from real property taxes or other taxes or fees administered by the counties. Talks between the state and the counties should continue to see if there is a way that the state could validate information provided by a taxpayer to the county in order to determine eligibility for county tax relief.

Digested 1/30/12