

**LATE**

Feb: 26, 2013  
3:45 p.m.  
Hrg: 2/27  
11:30 AM  
Agenda #2

To: Members of the House Finance Committee

Re: House Bill 968 and House Bill 969

The data base of the South Carolina Revenue Department was recently breached (hacked). The hacker downloaded 3.8 million individual income tax returns and 700,000 business tax returns. Neither of these bills addresses a breach of this magnitude. I suggest that one of these bills be amended to state that a breach of this magnitude constitutes criminal negligence on the part of the Director of Taxation.

There are a number of tax department employees, who may or may not have committed acts that are covered by these proposed statutes, currently in legal and/or administrative limbo. I suggest that the committee defer action on these laws until the legal and administrative processes have played out. We can then know exactly what these people did, or did not do, and propose the appropriate legislative remedies.

The tax department is currently in the process of replacing its computer system. If tax department employees are to be charged under either of these proposed statutes, it would most likely require reliable documentation from this system. The new system should have the appropriate checks and balances. I suggest that committee defer these, or similar statutes, until then.

Edward Beal